

## Base Prospectus



### Íslandsbanki hf.

(incorporated with limited liability in Iceland)

U.S.\$2,500,000,000

### Euro Medium Term Note Programme

Under the U.S.\$2,500,000,000 Euro Medium Term Note Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Íslandsbanki hf. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**) or in uncertificated and dematerialised book entry form and cleared through (A) the Norwegian Central Securities Depository, the *Verdipapirsentralen ASA* (**Euronext VPS**) (**VPS Notes**) or (B) the Nasdaq CSD Iceland or Verðbréfamíðstöð Íslands CSD (each a **CSD**) (**CSD Notes** and, together with VPS Notes, **Dematerialised Notes**). References in this Base Prospectus to **Relevant Dematerialised Clearing System** shall mean (a) in the case of an issue of VPS Notes, Euronext VPS; and (b) in the case of an issue of CSD Notes, the relevant CSD specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

As more fully described herein, Notes may be issued on a (i) senior preferred basis (**Senior Preferred Notes**); (ii) senior non-preferred basis (**Senior Non-Preferred Notes**); or (iii) subordinated basis (**Subordinated Notes**), in each case, as provided in the Terms and Conditions of the Notes herein.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement (as defined herein)), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*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 Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”. Without prejudice to the other risks described in “Risk Factors”, potential investors should note that in a winding-up of the Issuer, under current Icelandic law, Senior Preferred Noteholders (and, therefore, also Senior Non-Preferred and Subordinated Noteholders) will rank behind all depositors of the Issuer. See “Risk Factors – The claims of holders of Senior Preferred Notes and Senior Non-Preferred Notes will be subordinated to claims of the Issuer’s depositors in the event of a winding-up” and Condition 3.1 of the Terms and Conditions of the Notes.**

This Base Prospectus has been approved as a base prospectus by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended) (**MiFID II**) and/or which are to be offered to the public in any Member State of the European Economic Area (the **EEA**) in circumstances that require the publication of a prospectus in accordance with Article 1(4) and/or Article 3(2) of the Prospectus Regulation. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for Notes issued under the Programme to be admitted to the official list of Euronext Dublin (the **Official List**) and to trading on its regulated market (the **Regulated Market**). The Regulated Market is a regulated market for the purposes of MiFID II. Reference in this Base Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Regulated Market.

**This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the EEA. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.**

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer intends to request that the Central Bank of Ireland provide the competent authority in Iceland (Financial Supervisory Authority of the Central Bank of Iceland) with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the provisions of the Prospectus Regulation (the **Notification**). The Issuer may request the Central Bank of Ireland to provide competent authorities in additional Member States within the EEA with a similar notification. Following provision of the Notification, the Issuer may apply for Notes issued under the Programme to be listed and admitted to trading on the Nasdaq Iceland hf. (or on the regulated market of any other Member State to which a similar notification has been made), either together with a listing on the Regulated Market or as a single listing. If any Notes issued under the Programme are to be listed on the Nasdaq Iceland hf. (or on the regulated market of any other Member State to which a notification has been made), this will be specified in the applicable Final Terms (as defined herein).

As at the date of this Base Prospectus, the Issuer has senior unsecured debt ratings of BBB+ (long term debt) and A-2 (short term debt) from S&P Global Ratings Europe Limited (**S&P**) and a senior unsecured debt rating of A3 (long term debt) from Moody's Investors Service Limited (**Moody's**). S&P is established in the European Union (the **EU**) and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). Moody's is not established in the EU and is not registered under the CRA Regulation. The rating Moody's has given in relation to the Issuer is endorsed by Moody's Deutschland GmbH. Moody's Deutschland GmbH is established in the EU and is registered under the CRA Regulation. S&P and Moody's Deutschland GmbH are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by S&P, Moody's or by another rating agency. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, as the case may be, and will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency. 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.

The requirement to publish a prospectus under the Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in any Member State of the EEA other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the Prospectus Regulation. References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Regulation. The Central Bank of Ireland has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or with any state securities commission or any other United States regulatory authority and may include Notes in bearer form that are subject to United States tax law requirements. Accordingly, the Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**Arranger**

**BofA Securities**

**Dealers**

**Barclays**  
**Citigroup**  
**Goldman Sachs Bank Europe SE**  
**Morgan Stanley**

**BofA Securities**  
**Deutsche Bank**  
**J.P. Morgan**  
**Nomura**

**UBS Investment Bank**

The date of this Base Prospectus is 3 May 2024.

**This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation.**

**The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms or Pricing Supplement for each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Base Prospectus is in accordance with the facts and makes no omission likely to affect its import. The information in the sections entitled “*The Icelandic Economy*” and “*Financial Markets in Iceland*” on pages 180 to 183 has been extracted from publications by the National Economic Institute, the Ministry of Finance and the Central Bank of Iceland, where indicated as such. The Issuer confirms that, in each case, such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.**

**This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated 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. Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus. The information on any website referred to in this document does not form part of this document unless such information is incorporated by reference.**

**In relation to any Tranche, the aggregate nominal amount of the Notes of such Tranche, the interest (if any) payable in respect of the Notes of such Tranche, the issue price and certain other information which is relevant to such Tranche will be set out in a final terms document (Final Terms) or, in the case of Exempt Notes, a pricing supplement (Pricing Supplement) substantially in the form set out under “*Form of Final Terms*” and “*Form of Pricing Supplement*”, respectively, below.**

**In relation to Notes to be listed on Euronext Dublin, the Final Terms will be filed with the Central Bank of Ireland on or before the date of issue of the Notes of such Tranche. Copies of Final Terms relating to Notes listed on Euronext Dublin will be published on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>. Copies of Final Terms will also be available from the registered office of the Issuer and from the offices of the Principal Paying Agent (as defined below).**

**The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.**

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

**Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the**

**Issuer.** Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes 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 Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes 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 Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes 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 or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes 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 Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including Italy and Norway), the People's Republic of China, Hong Kong, Singapore, Switzerland, the United Kingdom (UK) and Japan, see "*Subscription and Sale*".

This Base Prospectus has been prepared on a basis that would permit an offer to the public in the EEA of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the requirement under the Prospectus Regulation to publish a prospectus. As a result, any offer of Notes to the public in any Member State of the EEA must be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer of Notes to the public in the EEA may only do so in circumstances in which no obligation arises for 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, in each case, in relation to such offer. Further, this Base Prospectus has been prepared on the basis that any offer of Notes to the public in the UK with a denomination of less than €100,000 (or equivalent in another currency) will only be made pursuant to an exemption under section 86 of the Financial Services and Markets Act 2000 (FSMA).

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes to the public in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

The Notes may not be a suitable investment for all investors. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;**
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;**
- (d) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of financial markets; and**
- (e) is able to evaluate possible scenarios for 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 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 (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.**

**In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.**

**None of the Dealers and the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.**

**Notes issued as Green, Social or Sustainability Bonds – None of the Arranger, Dealers nor any of their respective affiliates accepts any responsibility for any environmental or sustainability assessment of any Notes issued as Green, Social or Sustainability Bonds or makes any representation or warranty or gives any assurance as to whether such Notes will meet any investor expectations or requirements, any regulatory requirements or industry-body guidance regarding such “green, social, sustainable” or similar labels. None of the Arranger, Dealers nor any of their respective affiliates have undertaken, nor are they responsible for, any assessment of the Green or Social Loans (as defined in the “*Use of Proceeds*” section of the Base Prospectus), any verification of whether the Green or Social Loans meet any eligibility criteria set out in the Sustainable Funding Framework (as defined in the “*Use of Proceeds*” section of the Base Prospectus) nor are they responsible for the use of proceeds (or amounts equal thereto) for any Notes issued as Green, Social or Sustainability Bonds, nor the impact or monitoring of such use of proceeds or the allocation of the proceeds to particular Green or Social Loans. None of the Arranger, Dealers nor any of their respective affiliates is responsible for the establishment or the assessment of the Sustainable Funding Framework including the assessment of the applicable eligibility criteria adopted thereby, nor do any of them undertake to ensure that there are at any time sufficient eligible projects. The Sustainable Funding Framework, the Second Party Opinion (as defined in the “*Use of Proceeds*” section of the Base Prospectus) and any public reporting by or on behalf of the Issuer in respect of the application of proceeds will be available on the Issuer's website but, for the avoidance of doubt, will not be incorporated by reference into or form part of the Base Prospectus. None of the Arranger, Dealers nor any of their respective affiliates make any representation as to the suitability or content of such materials. Investors should not rely on such materials and any decision to purchase any Notes should be based on the Base Prospectus, as supplemented.**

## **IMPORTANT – EEA RETAIL INVESTORS**

If the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, such Notes are not intended to 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 (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 (as amended) (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## **IMPORTANT – UK RETAIL INVESTORS**

If the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, such Notes are not intended to 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 UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (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 UK domestic law by virtue of the EUWA (UK MiFIR); 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 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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

## **MIFID II PRODUCT GOVERNANCE/TARGET MARKET**

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (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 Product Governance rules under EU Delegated Directive 2017/593 (the MiFID Product Governance Rules), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, 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 applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. A distributor (as defined

above) should take into consideration the 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 Notes (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 Notes is a manufacturer in respect of such Notes, 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.

#### **BENCHMARKS REGULATION**

Interest and/or other amounts payable under the Notes 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). If any such reference rate does constitute such a benchmark, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (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 applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. 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 applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement to reflect any change in the registration status of the administrator.

#### **PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE**

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the SFA). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) of the SFA. Any such legend included on the applicable Final Terms (or Pricing Supplement, as the case may be) will constitute notice to “relevant persons” for purposes of section 309B(1)(c) of the SFA.

#### **NOTICE TO ONTARIO, ALBERTA & BRITISH COLUMBIA INVESTORS**

The Notes 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 Notes 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.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### *Presentation of Financial Information*

Unless otherwise indicated, the consolidated financial information of the Issuer as of and for the years ended 31 December 2023, 2022 and 2021 included in this Base Prospectus has been derived from the audited consolidated annual financial statements of the Issuer as of and for the years ended 31 December 2023, 2022 and 2021 (together, the Annual Financial Statements), which have been incorporated by reference in this Base Prospectus.

The Issuer's financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

### *Certain Defined Terms and Conventions*

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

All references in this document to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars; to *Sterling* and *£* refer to pounds sterling; and to *ISK*, *króna* or *krónur* refer to the currency of Iceland. In addition, all references to *euro* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Base Prospectus contains forward-looking statements that reflect the Issuer's intentions, beliefs or current expectations and projections about its future business, results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which it operates. They include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "projects", "expects", "believes", "hopes", "intends", "plans", "aims", "seeks", "may", "will", "would", "could", "should", and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Issuer*" and other sections of this Base Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance, taking into account information currently available to the Issuer. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this



**Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted. The Issuer's beliefs, assumptions and expectations can change as a result of possible events or factors, not all of which are known to the Issuer or are within its control. If a change occurs, the Issuer's business, results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies or opportunities may vary materially from those expressed in, or suggested by, these forward-looking statements.**

**The risks and uncertainties referred to above include:**

- **the Issuer's ability to achieve and manage the growth of its business;**
- **the performance of the markets in Iceland and the wider region in which the Issuer operates;**
- **the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;**
- **the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects;**
- **changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; and**
- **actions taken by the Issuer's joint venture partners that may not be in accordance with its policies and objectives.**

**Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.**

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**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event, in the case of listed Notes only and if appropriate, a new prospectus or a supplement to this Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.*

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 “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this Overview.

Issuer:	Íslandsbanki hf.
Issuer Legal Entity Identifier (LEI):	549300PZMFIQR79Q0T97
Description:	Euro Medium Term Note Programme
Arranger:	BofA Securities Europe SA
Dealers:	Barclays Bank Ireland PLC BofA Securities Europe SA Citigroup Global Markets Europe AG Citigroup Global Markets Limited Deutsche Bank Aktiengesellschaft Goldman Sachs Bank Europe SE J.P. Morgan SE Morgan Stanley Europe SE Nomura Financial Products Europe GmbH UBS Europe SE

and any other Dealers appointed in accordance with the Programme Agreement.

Programme Size:	Up to U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Base Prospectus.

### **Notes having a maturity of less than one year**

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the

prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
VPS Account Manager:	DNB Bank ASA
CSD Account Manager:	Íslandsbanki hf.
Currencies:	Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.
Maturities:	<p>The Notes 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.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions – Notes having maturity of less than one year</i>” above.</p>
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in (i) bearer form, (ii) registered form or (iii) uncertificated and dematerialised book entry form, with the legal title thereto being evidenced by book entries in the records of the Relevant Dematerialised Clearing System, in each case as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes or Dematerialised Notes. Bearer Notes will not be exchangeable for Registered Notes or Dematerialised Notes. Dematerialised Notes will not be exchangeable for Bearer Notes or Registered Notes. VPS Notes will not be exchangeable for CSD Notes and <i>vice versa</i> . CSD Notes cleared through a particular CSD will not be exchangeable for CSD Notes cleared through the other CSD and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined, subject to any applicable benchmark discontinuation provisions in Condition 4.2(b)(ii) or, as the case may be, Condition 4.3, on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.</p> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p>

Interest on Floating Rate Notes 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.

Reset Notes:

Reset Notes have reset provisions pursuant to which the relevant Reset Notes will, in respect of an initial period, bear interest at an initial fixed rate of interest specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. Thereafter, the fixed rate of interest will be reset on one or more date(s) by reference to a mid-market swap rate or a rate based on the yield for an identified government bond or certain government bonds (in each case relating to 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 or (in the case of Exempt Notes) Pricing Supplement.

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

Interest on Reset Notes 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.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Inflation Linked Notes:

Inflation Linked Notes will bear interest adjusted for inflation in accordance with the provisions set out in Condition 4.5 and payable on such date or dates as may be agreed with the Issuer. Inflation Linked Notes will be redeemed by payment of one or more amounts adjusted for inflation in accordance with the provisions set out in Condition 6.15, constituting payments of principal in relation to such Inflation Linked Notes.

Inflation Linked Notes may only be issued in the form of CSD Notes.

Inflation Linked Amortising Notes:

Inflation Linked Amortising Notes will bear interest and will be redeemed by payment of one or more amounts, adjusted in each case for inflation in accordance with the provisions set out in Conditions 4.6 and 5.9, which will be payable on such date or dates as may be agreed with the Issuer.

Inflation Linked Amortising Notes may only be issued in the form of CSD Notes.

Other provisions in relation to Inflation Linked Notes and Inflation Linked Amortising Notes:

Inflation Linked Notes and Inflation Linked Amortising Notes may have variable interest amounts and principal amounts. Interest on Inflation Linked Notes and Inflation Linked Amortising Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on the relevant Interest Payment Dates. The

interest payable will be calculated in accordance with the formula set out in Condition 4.5 for Inflation Linked Notes and Condition 4.6 for Inflation Linked Amortising Notes.

**Change of Interest Basis:** Notes may be converted from one Interest Basis to another if so provided in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

**Redemption:** Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date.

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons) or that such Notes will be redeemable at the option of the Issuer (including, in the case of Subordinated Notes, upon the occurrence of a Capital Event and, in any case, upon the occurrence of an MREL Disqualification Event, as the case may be) or pursuant to the Clean-up Redemption Option, in each case, upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on (in the case of Exempt Notes only) such other terms as may in each case be agreed between the Issuer and the relevant Dealer. 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 or (in the case of Exempt Notes) Pricing Supplement.

No early redemption of the Notes may take place without the prior written consent of the Relevant Regulator (if and to the extent such consent is required). See Condition 6.13.

**Denomination of Notes:** The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note 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, see "*Certain Restrictions – Notes having maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA or the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation or the FSMA (as applicable) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

**Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, except as required by law, as provided in Condition 7. In the event that any such deduction is made, in the case of a payment of interest only, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

**Negative Pledge:** The terms of the Notes will not contain a negative pledge provision.

Enforcement Events: The terms of the Notes will contain enforcement events relating only to non-payment (allowing a Noteholder to institute proceedings in Iceland in order to recover the amounts due from the Issuer to such Noteholder) and the liquidation or bankruptcy of the Issuer, provided that a Noteholder may not itself file for the liquidation or bankruptcy of the Issuer.

Status of the Senior Preferred Notes: The Senior Preferred Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall rank *pari passu* among themselves and (subject to such mandatory exceptions as are from time to time applicable under Icelandic law) at least *pari passu* with all other unsecured obligations 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, the claims of the holders of the Notes and any relative Coupons will be subordinated to the claims of all of the Issuer's depositors.

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

In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) 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 Notes); and
- (iv) junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Senior Non-Preferred Liabilities of the Issuer.

Status of the Subordinated Notes: The Subordinated Notes 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 a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims

of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) shall, subject to mandatory provisions of Icelandic law including but not limited to any Icelandic implementation of Article 48(7) of the BRRD, 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.

Subordinated Notes –  
Substitution or Variation:

Where the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify that Condition 6.11 applies, if at any time a Tax Event or a Capital Event occurs, or to ensure the effectiveness or enforceability of Condition 17, the Issuer may, subject to the provisions of Condition 6.13 (if, and to the extent so required), either substitute all, but not some only, of the Subordinated Notes for, or vary their terms (including changing the governing law of Condition 17 from English law to Icelandic law) so that they remain or, as appropriate, become, Subordinated Qualifying Securities (as defined in Condition 6.11), as further provided in Condition 6.11.

Senior Preferred Notes, Senior  
Non-Preferred Notes and  
Subordinated Notes –  
Substitution or Variation

Where the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify that Condition 6.12 applies, if at any time a Tax Event or an MREL Disqualification Event occurs, or to ensure the effectiveness or enforceability of Condition 17, the Issuer may, subject to the provisions of Condition 6.13 (if, and to the extent so required), either substitute all, but not some only, of the Notes for, or vary their terms (including changing the governing law of Condition 17 from English law to Icelandic law) so that they remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined in Condition 6.12) or, in the case of Subordinated Notes, Subordinated Qualifying Securities, as the case may be, as further provided in Condition 6.12.

Use of Proceeds:

The net proceeds (in respect of (a) and (c) below) or an amount equal to the net proceeds (in respect of (b) below) from each issue of Notes will, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, be:

- (a) used for the Issuer’s general corporate purposes; or
- (b) used to finance or refinance, in whole or in part, Green or Social Loans, as further described in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and the Issuer’s Sustainable Funding Framework dated January 2024 (as amended or supplemented from time to time) (the **Sustainable**



**Funding Framework**) available on the Issuer’s website ([https://cdn.islandsbanki.is/image/upload/v1/documents/ISB\\_2024\\_sjalfbaer-fjarmalarammi.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_2024_sjalfbaer-fjarmalarammi.pdf)); or

- (c) used to finance any other particular identified use of proceeds as stated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

Listing and Admission to Trading:

Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Regulated Market.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the relevant Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law, except for (i) CSD Notes and (in the case of Bearer, Registered and VPS Notes) the provisions of Condition 3, which shall, in each case, be governed by, and construed in accordance with, Icelandic law and (ii) (in the case of VPS Notes) Condition 14.2 and the registration of VPS Notes in Euronext VPS, which shall be governed by, and construed in accordance with, Norwegian law. VPS Notes must comply with the regulations of Euronext VPS, and the holders of VPS Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under the Norwegian regulations and legislation. CSD Notes must comply with the regulations of the relevant CSD, and the holders of CSD Notes will be entitled to the rights and are subject to the obligations and liabilities which arise under Icelandic regulations and legislation.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including Italy and Norway), the People’s Republic of China, Hong Kong, Singapore, Switzerland, the UK and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale*”.

United States Selling Restrictions:

Regulation S, Category 2 and TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

Exempt Notes:

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event the relevant provisions will be included in the relevant Pricing Supplement (as defined herein).

## **RISK FACTORS**

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. 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 Notes. 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 Notes and could result in investors losing all or part of their investment in the Notes.*

*In addition, risk factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Prospective investors in the Notes should also read the detailed information set out elsewhere in (or otherwise incorporated by reference into) this Base Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

Set forth below are certain risks that could materially adversely affect the Issuer's future business, operating results or financial condition.

#### **RISKS RELATING TO THE ISSUER'S BUSINESS ACTIVITIES AND INDUSTRY**

*The Issuer is subject to credit risk and may be unable to sufficiently assess credit risk of potential borrowers and may provide advances to customers that increase credit risk exposure*

The Issuer undertakes credit risk by offering loans, guarantees and other credit products. Credit risk is the primary risk factor in the Issuer's operations and taking on credit risk is a core activity of the Issuer. Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's potential failure to meet the terms of any contract with the Issuer. Failure to accurately assess credit risk could increase credit risk exposure which could have a material adverse effect on the Issuer's financial condition.

*Third parties that owe the Issuer money, securities or other assets may be unable to meet their obligations towards the Issuer*

Accurate and comprehensive financial information and other credit information may be limited for certain types of borrowers such as small enterprises or individuals. Despite any credit risk determination procedures the Issuer has in place, the Issuer may be unable to evaluate correctly the current financial condition of each prospective borrower to determine their long-term financial viability. Failure to address any risks associated with any borrower may lead to higher risk and could materially affect the Issuer's business. By the end of 2023, the Issuer's regulatory credit risk exposure amount was ISK 1,622 billion, a rise from ISK 1,501 billion at year-end 2022. This increase is mainly due to the inclusion of bonds in the liquidity portfolio under the credit risk framework. Credit risk accounted for 89 per cent. of capital requirements under Pillar 1.

*The Issuer is subject to counterparty risk which may have an adverse effect on its cost of funds*

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in the Icelandic economy or global economic conditions, or arising from systemic risks in the financial markets, could affect the recoverability and value of the Issuer's assets and require an increase in its provision for bad and doubtful debts and other provisions. To the extent that any of the instruments and strategies the Issuer uses to hedge or otherwise

manage its exposure to credit risk are not effective, it may not be able to mitigate effectively its risk exposures in particular market environments or against particular types of risk. The Issuer's earnings will depend upon how its critical accounting estimates prove accurate and upon how effectively it determines and assesses the cost of credit and manages its risk concentrations. To the extent its assessments of migrations in credit quality and of risk concentrations, or its assumptions or estimates used in establishing its valuation models for the fair value of its assets and liabilities or for its loan loss reserves, prove inaccurate or not predictive of actual results, it could suffer higher than anticipated losses.

The Issuer's exposures to other financial institutions is substantial, some of which might become unable to satisfy their obligations to the Issuer. Such counterparties might become subject to resolution procedures in their home jurisdictions, such as under Directive 2014/59/EU (the **Bank Recovery and Resolution Directive** or **BRRD**) for certain EU financial institutions or the United Kingdom Banking Act 2009 for certain UK financial institutions, which procedures might materially negatively impact the amount and/or timing of what the Group would receive from a financial counterparty should it be subject to resolution.

*The Issuer's loan portfolio is concentrated in certain industries and borrowers*

As at 31 December 2023, the Issuer's loan portfolio to customers was exposed to concentration in certain industry sectors, namely individuals (48 per cent.), commerce and services (15 per cent.), real estate (12 per cent.), construction (7 per cent.), industrial and transportation (6 per cent.), the seafood industry (6 per cent.) and other (6 per cent.). The Issuer's financial condition is sensitive to downturns in these industries and the consequent inability of the Issuer's customers to meet their obligations towards the Issuer. Decline in the financial condition of the Issuer's largest borrowers could also materially affect the Issuer's business, financial condition and results of operations. In terms of geographic credit concentration, most of the Issuer's activities are in Iceland but the Issuer maintains a certain amount of international activities. The overseas strategy is built on a heritage of servicing the core industries in Iceland, primarily focusing on the seafood industry. The strategy focuses on the North Atlantic region, including Canada, the United States and Norway. As at 31 December 2023, the Issuer's credit risk and credit concentration risk accounted for 78 per cent. of the total capital requirements.

*Increases in the Issuer's loan losses or allowances for loan losses may have an adverse effect on its results*

The Issuer's banking businesses establish provisions for loan losses, which are reflected in the provision for credit losses on its income statement, in order to maintain its allowance for loan losses at a level which is deemed to be appropriate by management based upon an assessment of prior loss experience, the volume and type of lending being conducted by each entity, industry standards, past due loans, economic conditions and other factors related to the collectability of the loan portfolio. Although the Issuer's management uses its best efforts to establish the provision for loan losses, that determination is subject to significant judgment, and the Issuer's banking businesses may have to increase or decrease their provisions for loan losses in the future as a result of increases or decreases in non-performing assets or for other reasons. To the extent its assumptions or estimates used in establishing its valuation models for the fair value of its assets and liabilities or for its loan loss reserves prove inaccurate or not predictive of actual results, it could suffer higher than anticipated losses. Any increase in the provision for loan losses, any loan losses in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have a material effect on the Issuer's results of operations and financial condition.

Additional information regarding the Issuer's credit risk can be found in section 4 of the Issuer's Pillar 3 Report 2023 which is incorporated by reference into this Base Prospectus.

*The Issuer is subject to market risks which may have material adverse effect on the Issuer's results of operations*

Market risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in the level or volatility of prices of market instruments, such as those that arise from changes in interest rates,

inflation, equity prices and foreign exchange rates. Market risk is a key risk to the Issuer's operations. The Issuer takes on market risk as a part of its business strategy.

Market risk of the Issuer is split into two categories: risk in the trading book and risk in the banking book. Market risk due to mismatches in assets and liabilities with respect to currencies, interest reset dates and CPI-indexation falls in the banking book. Market risk in the banking book also includes exposures held for long-term investment purposes, in unlisted securities and holdings in subsidiaries or affiliates. Market risk exposures in the trading book arise in relation to short-term and medium-term trading in securities, currencies and other capital market instruments. Market risk in the trading book primarily arises from flow trading and market-making activities in listed securities, mainly equities and government bonds. The Issuer is also exposed to currency risk in the trading book. The Issuer has controls in place to limit its trading book exposure; however, these controls may not be effective in all circumstances and the Issuer could experience material losses in its trading book. The Issuer could also experience significant variations in its consolidated income statement in the Annual Financial Statements due to movements in the market value of marked to market securities. The Issuer's asset management division is also subject to market risk as there could be fluctuations in the markets in which the asset management operations hold assets.

#### *Changes in interest rates may impact the Issuer's results*

The results of the Issuer's operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income and investment income. The composition of the Issuer's assets and liabilities, and any gap position resulting from the composition, causes the interest income to vary as interest rates change. In addition, variations in interest rate sensitivity may exist within the re-pricing periods or between the different currencies in which the Issuer holds interest rate positions. A mismatch of interest earning assets and interest bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of the Issuer's business. The Issuer might, in some cases, have limited ability to raise interest rates and margins on loans without it resulting in increased impairments at the same time. The Issuer's management of interest rate risk does not completely eliminate the effect of those factors on its performance.

#### *Price fluctuations of financial investments in the Issuer's portfolio could materially affect the Issuer's results of operations and financial condition*

The Issuer has an investment portfolio that includes mainly debt securities. If the price of these securities declines, this could substantially reduce the value of the Issuer's securities portfolio. These securities are measured at fair value at the end of each financial period, and declines in the market value of the portfolio could accordingly materially affect the Issuer's profitability, even if those declines have not been realised through the sale of the relevant securities. Price fluctuations could also materially affect the Issuer's regulatory capital and the capital ratios that the Issuer is required to maintain under applicable law.

The Issuer is also subject to the equity risk in its trading portfolios and in its banking book. The Issuer's equity risk arises from flow trading, market making, shares acquired through restructuring of companies and strategic investments. Equity exposure in the trading book decreased in 2023 with an average position of ISK 1 billion. Equity exposure in the banking book, including fair value shares and shares held for sale amounted to ISK 6.4 billion at the end of 2023.

#### *Changes in the inflation rate may negatively affect the profit and loss of the Issuer*

The Issuer is also exposed to inflation risk (CPI risk) since assets linked to the consumer price index (as calculated by Statistics Iceland in accordance with the Act on Price Indexation No. 12/1995 (Icelandic: *Lög um vísitölu neysluverðs* nr. 12/1995) and published monthly in the Legal Gazette (Icelandic: *Lögbirtingablaðið*) in Iceland (the **Consumer Price Index** or **CPI**)) do not match liabilities linked to the CPI. The value of these assets and liabilities changes according to changes in the CPI at any given time and all changes in the CPI affect the profit and loss of the Issuer. The total CPI-linked imbalance of the Issuer amounted to ISK 129,445 million as at 31 December 2023. Accordingly, changes in the inflation rate may

negatively affect the profit and loss of the Issuer and could have a material adverse effect on the Issuer's operations and financial condition.

Additional information regarding the Issuer's market risk can be found in section 5 of the Issuer's Pillar 3 Report 2023 which is incorporated by reference into this Base Prospectus.

*The Issuer is subject to liquidity risk which may have an adverse effect on its results*

The Issuer defines liquidity risk as the risk of not being able to fund its financial obligations or planned growth, or only being able to do so substantially above the prevailing market cost of funds. The Issuer's liquidity risk policy assumes that the Issuer always strives to exceed regulatory liquidity ratio limits. The Issuer's main source of funding is customer deposits, which amounted to ISK 850,709 million as at 31 December 2023. Key measures for the assessment of liquidity risk are the Liquidity Coverage Ratio (**LCR**) and Net Stable Funding Ratio (**NSFR**). At 31 December 2023, the Issuer's LCR was 195 per cent. and the NSFR was 124 per cent. The inability of the Issuer to anticipate and provide for unforeseen decreases or changes in funding sources could have an adverse effect on the Issuer's ability to meet its obligations as and when they fall due, which could have a material adverse effect on the Issuer's results.

Additional information regarding the Issuer's liquidity risk management can be found in section 6 of the Issuer's Pillar 3 Report 2023 which is incorporated by reference into this Base Prospectus.

*There is operational risk associated with the Issuer's industry which, when realised, may have an adverse impact on its results*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorised transactions by employees or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. The Issuer's definition of operational risk includes reputational risk, legal risk, and model risk among other risk factors. The top priorities of the Issuer in relation to operational risk as at the date of this Base Prospectus are outsourcing risk and information and communication technology risk. According to the Supervisory Review and Evaluation Process (**SREP**) results, operational risk accounted for 0.8 per cent. of total SREP capital requirement of the Issuer and its Subsidiaries (as defined below) (together, the **Group**) in 2023.

*The Issuer is vulnerable to the failure of IT systems and breaches of security systems*

Any significant interruption, degradation, failure or lack of capacity of the Issuer's information technology (**IT**) systems could cause it to fail to complete transactions on a timely basis or at all and materially affect the Issuer. A sustained failure of the Issuer's IT systems, or of critical third-party systems, would have a significant impact on its operations and the confidence its customers have in the reliability and safety of its banking systems and could therefore adversely impact the Issuer's financial position.

The secure transmission of confidential information is a critical element of the Issuer's operations. The Issuer cannot guarantee that existing security measures will prevent security breaches, including break-ins, viruses or disruptions. Persons that circumvent the security measures could use the Issuer's or its customers' confidential information wrongfully, which would expose the Issuer to loss, adverse regulatory consequences or litigation. Unauthorised disclosure of confidential information and personal data whether through cyber security breaches, viruses or otherwise could expose the Issuer to fines, liabilities and costly litigation and damage in reputation.

*The Issuer is vulnerable to disruptions of its operating systems and failures of its vendors*

Given the Issuer's high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, its dependence upon automated systems to record and

process its transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. The Issuer may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses, cyber-attacks, unsuccessful IT system updates, equipment malfunction or electrical or telecommunication outages), which may give rise to suspension of services to customers and loss to or liability to the Issuer. The Issuer is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to the Issuer (or will be subject to the same risk of fraud or operational errors by their respective employees as the Issuer), and to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficiently adequate. The Issuer also faces the risk that the design of its controls and procedures prove inadequate, or are circumvented, thereby causing delays in detection of errors in information. Although the Issuer has increased focus on operational risk and operational risk measurement framework, there can be no assurance that it will not suffer losses from operational risks in the future, as it has in the past, which may be material in amount.

*Shortfalls in the Issuer's risk management methods may leave the Issuer exposed to unidentified, unanticipated or incorrectly quantified risks, which would lead to material losses or material increases in liabilities*

The Issuer will at all times attempt to properly manage risks. The Issuer's risk management may not at all times be able to protect the Issuer against certain risks, especially risks that have not been identified or anticipated. The risk management methods may not take all risks into account, and it is possible that the methods are incorrect or based on wrong information. Unanticipated or incorrectly quantified risk exposures could materially affect the Issuer's business, financial condition and results of operations.

*The Issuer relies on certain key members of management*

The Issuer is highly dependent on the talent of its key personnel, in particular its Chief Executive Officer and senior management, many of whom have been employed by the Issuer for a substantial period of time. The loss of key members of its senior management or staff may significantly delay the Issuer's ability to implement its business objectives and strategies and could have a material adverse effect on its business, financial condition and results of operations. In addition, there is competition between businesses in Iceland which could hinder the Issuer's ability to recruit and retain new senior managers if competitors of the Issuer are able to offer more competitive salaries and better incentivise individuals.

Additional information regarding the Issuer's operational risk can be found in section 7 of the Issuer's Pillar 3 Report 2023 which is incorporated by reference into this Base Prospectus.

*The Issuer is subject to compliance risk which, if realised, could have an adverse impact on its results or reputation*

The Issuer defines compliance risk as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Issuer may suffer because of its failure to comply with applicable laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct. In 2023, compliance risk was elevated to level 1 risk in the Issuer's risk taxonomy. That entailed expanding the scope of compliance risk where financial crime risk, data protection risk, conduct risk and regulatory compliance risk are now level 2 risk factors overseen by the compliance function. In 2023, the Issuer implemented certain remedial measures to its compliance function pursuant to a settlement agreement it entered into with the FSA, concluding the FSA's inspection into the Issuer's execution of an offering by the Icelandic state of shares of the Issuer that took place in March 2022. See Note 13 to the 2023 Financial Statements, which are incorporated by reference into this Base Prospectus, for further details.

Additional information regarding the Issuer's compliance risk can be found in section 7 of the Issuer's Pillar 3 Report 2023 which is incorporated by reference into this Base Prospectus.

*The Issuer is subject to sustainability risk which may have adverse impact on its results*

The Issuer defines sustainability risk as the risk of being directly or indirectly negatively affected by externalities within the areas of environmental, social, and governance considerations, such as climate change, biodiversity, anti-corruption, human rights, labour conditions, data privacy, or business ethics. Sustainability risk is a part of the Issuer's Risk Taxonomy and entails both physical and transitional climate risk, as well as social and governance risk. Climate-related risks consist of two major categories that are often called transition risks and physical risks. The Issuer's customers are exposed to physical risk related to climate change, for instance in the seafood industry where the availability of fish and shellfish might diminish due to temperature and acidity changes in the ocean around Iceland. Physical risks can have direct financial impact through damaged assets and supply chain disruptions.

Additional information regarding the Issuer's sustainability risk can be found in section 8 of the Issuer's Pillar 3 Report 2023 which is incorporated by reference into this Base Prospectus.

## **RISKS RELATING TO MACROECONOMIC AND OTHER BUSINESS CONDITIONS**

*The Issuer's results may be adversely affected by general economic conditions and other business conditions*

The Issuer's results are affected by general economic and other business conditions. 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 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.

In particular, the Issuer's business, financial condition and results of operations are affected directly by economic and political conditions in Iceland as almost all of the Issuer's business activities take place in Iceland.

There is great uncertainty concerning economic development in Iceland's main trading partner countries and concerning the downturn in consumption occurring throughout the world. Expected loss rates are, among other factors, dependent upon unemployment, inflation and exchange rates as well as possible changes in legislation and compliance. The recovery rates also depend on asset price evolvment and legislation changes concerning liquidation of assets. Such changes in the general economic conditions and other business conditions may have a material adverse effect on the Issuer's results.

*The Russian invasion of Ukraine has created significant uncertainty and financial market volatility and could have adverse effects on the Icelandic, European and global economies*

In late February 2022, Russia invaded Ukraine, significantly amplifying already existing geopolitical tensions among Russia, Ukraine and other countries in the region, and the West, including the United States. Russia's invasion, the responses of countries and political bodies, such as the EU and NATO, to Russia's actions, the larger overarching tensions, and Ukraine's military response and the potential for wider conflict have created significant uncertainty and financial market volatility and could have adverse effects on the Icelandic economy as well as the wider European and global economy, including the markets for commodities such as crude oil and natural gas. Following Russia's actions, many countries, including the United States, the UK, France, Germany and Canada, as well as the EU, issued broad-ranging economic sanctions against Russia. Such sanctions included, among other things, a prohibition on doing business with certain Russian companies, large financial institutions, officials and oligarchs; a commitment by certain countries and the EU to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications (**SWIFT**), the electronic banking network that connects banks globally; and restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions.

The current sanctions (and potential further sanctions in response to continued Russian military activity) and other actions have not only had a significant adverse impact on various sectors of the Russian economy, but have also adversely affected the wider European and global economy as well as financial and energy markets. However, the market impact in Iceland has so far been moderate. GDP growth in 2022 was at a rate of 7.2 per

cent. according to Statistics Iceland's preliminary data as the Icelandic economy rebounded from the 2020 recession and the impact of the COVID-19 pandemic (see “*The Icelandic Economy*” on page 180). In 2023, however, the war and its impact through global inflationary pressures, rising interest rates and consumer sentiment on private consumption growth in consumer markets and export growth may have had some impact on the rate of GDP growth.

While diplomatic efforts have been ongoing, the conflict between Russia and Ukraine is currently unpredictable and has the potential to result in broadened military actions. The duration of ongoing hostilities and such sanctions and related events cannot be predicted. These factors, as well as uncertainty as to future relations between Russia, the European Union, Iceland and other countries in the West, or between Russia and the eastern European countries, may have a negative impact on the Issuer's margins, business, financial condition or results of operations.

*Systemic risk could adversely affect the Issuer's business*

Concerns about, or a default by, one financial institution could lead to significant liquidity problems, losses or defaults by other financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between these institutions. This risk is sometimes referred to as “systemic risk” and may materially affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis, and could materially affect the Issuer's business operations and results.

## **RISKS RELATING TO THE BUSINESS MODEL AND THE OWNERSHIP STRUCTURE OF THE ISSUER**

*The Issuer, its operations and its management may continue to come under the public spotlight from time to time for as long as the Icelandic state has an ownership interest in the Issuer*

The Icelandic state, through the Icelandic State Financial Investments (**ISFI**), remains, as at the date of this Base Prospectus, a major shareholder of the Issuer and as a result, the Issuer, its operations and its management continue to occupy the public spotlight and be subject to public scrutiny from time to time. It cannot be excluded that in the future, the Issuer will be in the public spotlight and come under pressure to change aspects of its corporate governance, policies and certain operations or to review past practices. This may force the Group to spend potentially significant amounts of management time and incur significant expense.

*Further reductions of the Icelandic state's interest in the Issuer may result in a perception of increased risk by investors and customers, including depositors*

Following the initial public offering of shares of the Issuer in June 2021, the Icelandic state, through the ISFI, held 65 per cent. of the Issuer's share capital. On 22 March 2022, the Icelandic state, through the ISFI, sold a 22.5 per cent. stake in Íslandsbanki via an accelerated book-building offering of existing shares (the **Offering**) to qualified domestic and international investors (the **Transaction**). Following the completion and settlement of the Transaction on 28 March 2022, the Icelandic state, through the ISFI, holds 42.5 per cent. of the Issuer's share capital. According to the Icelandic State Budget for the year 2024 the Icelandic state intends to sell its shares in the Issuer in full over the next two years, the first half in the year 2024 and the remainder in the year 2025. Such sales may result in a perception of increased risk by investors, counterparties and clients, including depositors, with respect to the safety of customer deposits, the Issuer's capital position, risk profile and the Issuer's soundness in general as some investors and customers may have taken comfort from the Icelandic state's shareholding in the Issuer. This could lead to a general decrease in investor, counterparty and customer confidence, which may, for example, result in a reduction of customer deposits. The materialisation of any of these events could materially and adversely affect the market price of the Issuer's securities and its business, financial condition and results of operations.



*Disruptions, dislocations, structural challenges and market volatility in financial markets could materially and adversely affect the Issuer's banking and funding activities and could materially and adversely affect the Group's business, financial condition, results of operations and prospects*

Financial markets can experience sometimes sustained periods of unpredictable movements, severe dislocations, liquidity disruptions and economic shocks. These market conditions could lead to volatility in the Issuer's profitability and in (the composition of) its balance sheet caused by price changes and changes in the demand for some of the Group's banking services and products. Such conditions could have a material adverse effect on the Issuer's business, results of operations, financial condition and prospects. These market conditions may also impede the Issuer's ability to raise sufficient funding and capital in a timely manner. This could result in, among other things, a delay in raising funding or capital, the issuance of capital and funding of different types or under different terms than otherwise would have been issued or realised, or the incurrence of additional or increased funding and capital costs compared to the costs borne in a more stable market environment. Furthermore, the Issuer's hedging and other risk management strategies, such as balance sheet steering and interest rate management, may not be as effective at mitigating risks as such strategies would be under more normal market conditions. This could potentially lead to a decrease of the Issuer's profitability, financial condition and financial flexibility. Financial markets are susceptible to severe events characterised by rapid depreciation in asset values accompanied by a reduction in liquidity. Under such conditions, market participants are particularly exposed to the market behaviour of market participants simultaneously thereby on a large scale unwinding or adjusting positions, which may even further exacerbate rapid decreases in values of the Issuer's assets or collateral held in its favour and which could cause liquidity tensions and disruptions. These market conditions may cause a decline in the profitability, an increase in unrealised losses in the Group's various asset portfolios, and a reduction in unrealised gains in the Issuer's various asset portfolios.

The economies in which the Group is active may continue to face structural challenges, which could contribute to renewed high volatility in both the debt and the equity markets. Any deterioration of the sovereign debt market in the Eurozone or elsewhere, or other economic shocks could materially and adversely affect the Issuer's results of operations, financial condition and prospects, as well as the Issuer's funding and capital transactions and hedging and other risk management strategies. Other events may also affect the financial markets, such as heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events. There is no assurance that market volatility will not result in a prolonged market decline, or that such market declines for other reasons will not occur in the future. Severe market events have historically been proven to be difficult or impossible to predict, and could lead to the Issuer realising significant losses, especially if they were to persist for an extended period of time. Therefore, market volatility, liquidity disruptions, or market dislocations could materially and adversely affect the Issuer's banking, capital and funding activities and could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

*The Issuer's insurance coverage may not adequately cover losses resulting from the risks for which it is insured*

The Issuer maintains customary insurance policies for the Issuer's operations, including insurance for liquid assets, money transport and directors' and officers' liability. The Issuer's business involves risks of liability in relation to litigation from customers, employees, third-party service providers, and action taken by regulatory agencies, and there is a risk that these may not be adequately covered by the insurance or at all. Due to the nature of the Issuer's operations and the nature of the risks that the Issuer faces, there can be no assurance that the coverage that the Issuer maintains is adequate which could have a material adverse effect on the Issuer's operations and financial condition.

## **RISKS RELATING TO CAPITAL AND OTHER REGULATORY REQUIREMENTS OF THE ISSUER**

The Issuer's capital management framework is based on Directive 2013/36/EU (**CRD IV**) and Regulation 575/2013/EU (**CRR**), which have already been implemented into Icelandic legislation. For more information on the Issuer's capital requirements, see "*Business Overview — Regulatory and Tax Environment — Capital Requirements and European Bank Recovery and Resolution Directive*".

Any failure by the Issuer to maintain any increased 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 profitability and results and may also have other effects on the Issuer's financial performance and on the pricing of the Notes, both with or without the intervention by regulators or the imposition of sanctions.

In Europe, the U.S. and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors in Note exposures and/or on the incentives for certain investors to hold Notes, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Dealers or the Arranger(s) makes any representation to any prospective investor or purchaser of the Notes regarding the treatment of their investment on the Issue Date or at any time in the future.

In particular, it should be noted that the Basel Committee on Banking Supervision (**BCBS**) has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as **Basel III**). Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. In December 2017, BCBS published the final phase of the Basel III framework, which included (i) the standardised approach for credit risk, (ii) internal ratings-based approach for credit risk, (iii) minimum capital requirements for credit valuation adjustment risk, (iv) minimum capital requirements for operational risk, (v) output floor and (vi) leverage ratio. In addition, the BCBS published the revised minimum capital requirements for market risk in January 2019. As part of the European Union's banking package of 2021, and in order to implement the final phase of the Basel III Framework, the European Commission adopted, in October 2021, a proposal to amend Regulation (EU) No 575/2013 (CRR III Proposal) and a proposal to amend Directive 2013/36/EU (**CRD VI Proposal**). The CRR III Proposal and CRD VI Proposal include several European Union-specific deviations from the final phase of the Basel III Framework. In December 2023, the final phase of the Basel III implementation, set up in the European Union's banking package in October 2021, was agreed and endorsed by the European Parliament and the Council. As at the date of this Base Prospectus, the legislative package has been submitted to the European Parliament Plenary and the Council for adoption, after which the legal texts will be published in the Official Journal of the EU. As long as the CRR III Proposal and CRD VI Proposal have not been finally adopted as European Union law, the Issuer cannot determine their precise effects on its own financial performance or the impact on the pricing of its Notes issued under the Programme.

Prospective investors should therefore make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Notes. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

## **LEGAL AND REGULATORY RISK**

### *Regulatory changes or enforcement initiatives could adversely affect the Issuer's business*

As a financial institution, the Issuer must comply with a comprehensive set of laws and regulations. The legal and regulatory environment of the Issuer is constantly changing and the Issuer puts substantial resources into monitoring and implementing these changes to ensure full compliance. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, investor protection, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking and financial services laws, regulations and policies

currently governing the Issuer and its subsidiaries may change at any time in ways which have a material effect on the Issuer's business. Furthermore, the Issuer cannot predict the timing or form of any future regulatory initiatives. Changes in existing banking and financial services laws and regulations may materially affect the way in which the Issuer conducts its business, the products or services it may offer and the value of its assets. If it fails, or appears to fail, to appropriately address these changes or initiatives, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against it or subject it to enforcement actions, fines and penalties. Regulatory agencies have the power to bring administrative or judicial proceedings against the Issuer, which could result, among other things, in suspension or revocation of its licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm its results of operations and financial condition.

The Icelandic government has passed and issued many statutes and regulations affecting the banking and financial services industry since 2008. There can be no assurance that the Icelandic government will not enact new regulations.

*The Issuer has a high proportion of inflation-linked mortgage loans and there is a risk that legislation might be imposed which varies the terms of those loans in a manner that is adverse to the Issuer*

A high proportion of the Issuer's mortgage loans are inflation-linked. Under these loans, the monthly repayment increases if and to the extent that inflation in Iceland increases. Following the financial crisis in 2008, inflation in Iceland increased significantly. This resulted in higher payments falling due under inflation-linked loans at the same time as borrowers faced lower wages and less purchasing power. There was significant debate in Iceland regarding these loans in the period preceding the parliamentary elections in April 2013. The Icelandic government announced at the end of November 2013 an action plan aimed at reducing the country's housing debt. On the basis of the action plan, the Icelandic Parliament passed Act No. 35/2014 and Act No. 40/2014. The objective of Act No. 35/2014 was to write down the principal of indexed residential mortgages. Act No. 40/2014, which amended the Pension Act No. 129/1997, authorised households with residential mortgages, in the period between 1 July 2014 and 30 June 2017, to use payments which would otherwise go to a private pension fund to reduce the principal amount of their mortgages. This option has since been extended until 31 December 2024. This option is open to all residential mortgage holders regardless of the form of their mortgage. This action plan was financed by an increase in the Bank Levy (see "*Business Overview — Regulatory and Tax Environment — Tax Environment*") that has increased the Issuer's financial burden and decreased its profitability. There is a risk that additional legislation may be adopted or other government action taken to reduce the payment burden under inflation-linked mortgages. Should this occur, it would have a materially negative impact on the Issuer's loan portfolio, financial condition and results of operations.

*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, 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 21 per cent. in Iceland for the year 2024, the Icelandic Parliament passed the Act on Special Tax on Financial Undertakings, No. 155/2010, in December 2011 (**Act on Special Tax on Financial Undertakings**), under which certain types of financial institutions, 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.

According to the Icelandic Act No. 90/2003 on Income Tax, as amended (**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. for

individuals and 13.0 per cent. for legal entities. This withholding is applicable unless the foreign creditor can demonstrate and obtain approval from the Iceland 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 Euronext VPS, Euroclear and Clearstream, Luxembourg, within a member state of the Organisation for Economic Co-operation and Development (the **OECD**), the EEA, a founding member state of the European Free Trade Association (the **EFTA**) or the Faroe Islands. Notes 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 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 – Tax Environment*”. 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 Notes. 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 Notes.

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

As a member state of the EEA, Iceland is obligated to implement parts of EU law. A large amount of Icelandic legislation relating to the financial services industry, such as the legislation on financial undertakings, securities transactions and other legislation relating to financial markets, is implemented from EU law. If the state fails to draft national law in a way that conforms with EEA rules, Icelandic citizens may not be able to rely on national laws and the Icelandic courts could be restricted from applying them unless the Icelandic legislation can be interpreted in a way which conforms with EU legislation. As a result, Noteholders may not, in all circumstances, enjoy the same legal protection they would expect as holders of securities issued by issuers in EU member states where EU instruments are directly applicable or have been adequately implemented into national legislation. Moreover, there can be errors in the implementation of EU law and in those cases, Icelandic law will be deemed to prevail in the Icelandic courts. Inconsistencies between EU law and Icelandic law can lead to uncertainty over which rules the Issuer must follow, which can take up a lot of the Issuer's resources and time in trying to identify which rules to follow.

There can be a delay before Icelandic law implements EU legislation, which could also feed into the Issuer's uncertainty as to which rules it must comply with. Icelandic authorities may try to reduce uncertainty by working off requirements under the new EEA rules, which are in the process of being implemented. As a result, the Issuer may be unable to rely on the precise wording of current statutes or draw guidance from legislative preparatory works. Working to comply with regulations which are changing can be resource intensive and exposes the Issuer to a risk of non-compliance.

*There may be circumstances in which courts may give judgments in ISK and/or in which a judgment of courts other than the Icelandic courts may not be enforceable in Iceland (or, if it is enforceable in Iceland, which may result in the judgment creditor receiving ISK)*

There may be circumstances in which a court hearing a dispute arising out of or in connection with the Terms and Conditions of the Notes may give judgment in ISK. Further, judgments given by courts other than the Icelandic courts may not necessarily be enforceable against the Issuer in Iceland. Even if a judgment is enforceable in Iceland, the enforcement process may result in the judgment creditor receiving ISK.

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 UK and Iceland are not bound by any agreement, treaty or other instrument on mutual recognition and enforcement of judgments applicable in relation to the Notes. The UK 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 Notes obtained in the courts of England against the Issuer, will, in principle, neither be recognised nor enforceable in Iceland. However, if a Noteholder 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 Noteholders of the Issuer's obligations under the Notes.

*Following is a list of pending or threatened proceedings against the Issuer which might have significant effects on the Issuer's financial position or profitability if not ruled in favour of the Issuer*

Except as described below under "*General Information — Litigation*", there are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus, which may have, or have had, a significant effect on the Issuer financial position or profitability.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES ISSUED UNDER THE PROGRAMME**

### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of such features:

*There are particular risks associated with an investment in Inflation Linked Notes and Inflation Linked Amortising Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it*

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

- (a) the market price of such Notes may be volatile;
- (b) they may receive some only or 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 Notes 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 is likely to 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 effect (which may be positive or negative) 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 index or other Relevant Factor during the term of any Notes. Each potential investor should consult its own financial and legal advisers about the risk entailed in an investment in any Notes linked to a Relevant Factor, and the suitability of such Notes in light of its particular circumstances.

*The claims of holders of Senior Preferred Notes and Senior Non-Preferred Notes will be subordinated to claims of the Issuer's depositors in the event of a winding-up*

Typically, the claims of holders of senior ranking unsecured debt instruments, such as the Senior Preferred Notes or Senior Non-Preferred Notes, issued by a financial institution holding bank deposits would not be subordinated to the claims of depositors. However, in Iceland, Article 102 of the Act on Financial Undertakings No. 161/2002 (**Act on Financial Undertakings**) provides that, should such financial institution, 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 No. 38/2021 (as defined herein) was 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: (x) 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 (y) 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 unsubordinated debt (which would include Senior Preferred Notes as well as Senior Non-Preferred Notes) 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 Noteholders after the claims of depositors have been paid.

*The Issuer's obligations under Subordinated Notes are subordinated. An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency*

The Issuer's obligations under Subordinated Notes 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 Notes will be subject to mandatory provisions of Icelandic law including but not limited to any Icelandic implementation of Article 48(7) of the BRRD 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 in respect 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 Noteholders will lose their entire investment in the Subordinated Notes. 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 Notes and all other claims of Parity Securities, Noteholders will lose some (which may be substantially all) of their investment in the Subordinated Notes.

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

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

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

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

The Hierarchy of Claims Act introduced a new class of "senior non-preferred notes" that meet specified criteria, which class will, upon a credit institution's bankruptcy, rank junior to its senior unsubordinated debt obligations and rank senior to its subordinated notes as well as regulatory capital and common shares. As further set out in Condition 3.2 (*Status of the Senior Non-Preferred Notes*), the Issuer intends that its Senior Non-Preferred Notes will constitute part of this new, lower-ranking (un-preferred) 'senior' unsecured class, that will rank below its Senior Preferred Notes but ahead of the Subordinated Notes.

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

On a winding-up of the Issuer, all claims in respect of the Senior Non-Preferred Notes will rank *pari passu* without any preference among themselves, *pari passu* with all other Senior Non-Preferred Liabilities of the 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 Notes) and will rank junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Senior Non-Preferred Liabilities 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 in full, the Noteholders will lose their entire investment in the Senior Non-Preferred Notes. 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 Notes or all other claims that rank *pari passu* with the Senior Non-Preferred Notes, holders of Senior Non-Preferred Notes will lose some (which may be substantially all) of their investment in the Senior Non-Preferred Notes.

Whilst Senior Non-Preferred Notes and Senior Preferred Notes both share the 'senior' designation under the programme, in an insolvency of the Issuer the Senior Non-Preferred Notes will rank junior to the Senior Preferred Notes (which, in turn, rank junior to obligations of the Issuer which are by law given priority over the Senior Preferred Notes, such as bank deposits) and other unsecured and unsubordinated liabilities.

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

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

*There are limited enforcement events in relation to the Notes*

Each Series of Notes will contain limited enforcement events relating to:

- (a) non-payment by the Issuer of any amounts due under the relevant Series of Notes. In such circumstances, as described in more detail in Condition 9 (*Enforcement Events*), a Noteholder may institute proceedings in Iceland in order to recover the amounts due from the Issuer to such Noteholder; and
- (b) the liquidation or bankruptcy of the Issuer. In such circumstances, as described in more detail in Condition 9, the relevant Series of Notes will become due and payable at their outstanding principal amount, together with accrued interest thereon.

A Noteholder may not itself file for the liquidation or bankruptcy of the Issuer. As such, the remedies available to holders of the Notes are limited, which may make it more difficult for Noteholders to take enforcement action against the Issuer.

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

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

Holders of the Notes have no rights to call for the redemption of the Notes and should not invest in such Notes in the expectation that such a call will be exercised by the Issuer. 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 Notes should be aware that they may be required to bear the financial risks of an investment in the Notes for a period of time in excess of the minimum period. See also “*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*” above.

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

Where the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify that Condition 6.11 (in the case of Subordinated Notes) or Condition 6.12 (in any case) applies, if at any time a Capital Event (in the case of Subordinated Notes), an MREL Disqualification Event (in any case) or a Tax Event (in any case) occurs, or to ensure the effectiveness or enforceability of Condition 17, 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 Noteholders, either substitute all, but not some only, of the relevant Notes for, or vary the terms of the relevant Notes (including changing the governing law of Condition 17 from English law to Icelandic law), as the case may be, so that they remain or, as appropriate, become, in the case of Subordinated Notes, Subordinated Qualifying Securities (as defined in Condition 6.11), in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined in Condition 6.12) or, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities (as defined in Condition 6.12), as the case may be, as further provided in Condition 6.11 and Condition 6.12 (as applicable). The terms and conditions of such substituted or varied Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, may have terms and conditions that contain one or more provisions that are substantially different from the terms and conditions of the original Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, provided that the relevant Senior Preferred Notes, the relevant Senior Non-Preferred Notes or the relevant Subordinated Notes remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities or, in the case of Subordinated Notes, Subordinated Qualifying Securities, as the case may be, in accordance with the Terms and Conditions of the Notes. While the Issuer cannot make changes to the terms of the Notes that, in its reasonable opinion, are materially less favourable to the holders of the relevant Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, as a class, the governing law of Condition 17 may be changed from



English law to Icelandic law in order to ensure the effectiveness and enforceability of such condition. No assurance can be given as to whether any of these changes will negatively affect any particular holder. In addition, the tax and stamp duty consequences of holding such substituted or varied Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, prior to such substitution or variation.

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

At any time upon the occurrence of a Tax Event pursuant to Condition 6.2, a Capital Event pursuant to Condition 6.3 (in the case of Subordinated Notes, to the extent specified as applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement), an MREL Disqualification Event pursuant to Condition 6.4 (to the extent specified as applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement), on an Optional Redemption Date pursuant to Condition 6.5 or on a Clean-up Redemption Date pursuant to Condition 6.6, the Notes 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 Notes. Such an optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the relevant Notes, or during any period when Noteholders perceive that the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. In particular, with respect to the Clean-up Redemption Option by the Issuer pursuant to Condition 6.6, there is no obligation under such Condition 6.6 nor under any of the Terms and Conditions of the Notes for the Issuer to inform Noteholders if and when the threshold of 75 per cent. (or, if applicable, any higher percentage specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) of the initial aggregate principal amount of a particular Series of Notes 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 Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

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

*If the Notes included a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which 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. Such a feature to convert the interest rate may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

*Notes 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 securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates compared to prices

for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility compared to more conventional interest-bearing securities with comparable maturities. Any such price volatility may have an adverse effect on the market value of any Notes issued at a substantial discount or premium to their principal amount.

*Limitation on gross-up obligation under the Notes*

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of the Notes applies only to payments of interest in respect of the Notes and Coupons and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal in respect of the Notes or Coupons, the Noteholders or Couponholders may receive less than the full amount due under the Notes or Coupons, as the case may be, and the market value of the Notes may be adversely affected. Noteholders should note that principal for these purposes may include any payments of premium.

*The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"*

Interest rates and indices which are deemed to be "benchmarks" (such as, in the case of Floating Rate Notes, a Reference Rate, or, in the case of Reset Notes, a Mid-Swap Floating Leg Benchmark Rate), are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark.

The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to the benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent, in whole or in part, upon a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation and/ or UK Benchmarks Regulation, as applicable, or any of the international or national reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

*Future discontinuance of certain benchmark rates (for example EURIBOR) may adversely affect the value of Floating Rate Notes and/or Reset Notes which are linked to or which reference any such benchmark rate*

Investors should be aware that, if a benchmark rate were discontinued or otherwise unavailable, the rate of interest on Reset Notes and Floating Rate Notes (excluding, for the purposes of this risk factor, Floating Rate Notes referencing Compounded Daily SOFR) which are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions applicable to such Notes. The Terms and Conditions of the Relevant Notes provide for certain fallback arrangements in the event that a published benchmark, including an interbank offered rate such as EURIBOR or other relevant reference rate (including any page on which such benchmark may be published (or any successor service)) becomes unavailable or if another Benchmark Event (as defined in the Terms and Conditions and including, for example, if the Original Reference Rate has ceased to be published or if there is a public statement by the supervisor of the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative or may no longer be used) otherwise occurs. If the circumstances described in the preceding paragraph occur and (i) in the case of Floating Rate Notes, Reference Rate Replacement is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable or (ii) in the case of Reset Notes, Mid-Swap Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being the relevant Reset Reference Rate and Reference Rate Replacement is also specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable (any such Notes, **Relevant Notes**), such fallback arrangements will include the possibility that:

- (i) the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a Successor Reference Rate or an Alternative Reference Rate (as applicable) determined by the Issuer following consultation with an Independent Adviser; and
- (ii) such Successor Reference Rate or Alternative Reference Rate (as applicable) may be adjusted (if required) by the Issuer following consultation with the relevant Independent Adviser,

in any such case, acting in good faith and in a commercially reasonable manner as described more fully in the Terms and Conditions of the Relevant Notes.

The use of a Successor Reference Rate or an Alternative Reference Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Relevant Notes if the Original Reference Rate remained available in its current form. In particular, if a Benchmark Event occurs as a result of a public statement that the relevant Original Reference Rate is no longer representative, the relevant rate of interest on the Relevant Notes may therefore cease to be determined by reference to that Original Reference Rate, and instead be determined by reference to a Successor Reference Rate or Alternative Reference Rate, even if the Original Reference Rate continues to be published.

Such Successor Reference Rate or Alternative Reference Rate (including with the application of an Adjustment Spread) may be lower than the Original Reference Rate for so long as that Original Reference Rate continues to be published, and the value of and return on the Relevant Notes may be adversely affected. The application of an Adjustment Spread, as described in the Terms and Conditions of the Relevant Notes, may result in the Relevant Notes performing differently (which may include payment of a lower interest rate) than they would do if the Original Reference Rate were to continue to apply in its current form.

In addition, in the case of Relevant Notes, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner may also determine that other amendments to the Terms and Conditions of the Relevant Notes are necessary in order to follow market practice in relation to

the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and to ensure the proper operation of the relevant Successor Reference Rate or Alternative Reference Rate (as applicable).

No consent of the Noteholders shall be required in connection with effecting any relevant Successor Reference Rate or Alternative Reference Rate (as applicable) or any other related adjustments and/or amendments described above.

In certain circumstances, the ultimate fallback for determining the rate of interest for a particular Interest Period or Reset Period (as applicable) may result in the rate of interest for the last preceding Interest Period or Reset Period (as applicable) being used. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page for the purposes of determining the rate of interest in respect of an Interest Period or a Reset Period (as applicable). In addition, in the case of Relevant Notes, due to the uncertainty concerning the availability of Successor Reference 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 value of and return on any such Floating Rate Notes or Reset Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Reset Notes. Investors should note that, in the case of Relevant Notes, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, will have discretion to adjust the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder, any such adjustment will be favourable to each Noteholder.

In addition, in the case of Relevant Notes, potential investors should also note that no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Relevant Notes will be made if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Relevant Notes: (i) where the Relevant Notes are Senior Preferred Notes (if applicable) or Senior Non-Preferred Notes, as MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Relevant Notes, rather than the relevant Maturity Date; or (ii) where the Relevant Notes are Subordinated Notes, as Tier 2 Capital of the Issuer and/or (if applicable) MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Relevant Notes, rather than the relevant Maturity Date. In all such circumstances, the ultimate fallback for determining the rate of interest (which is described above) will apply.

Investors should consider all of these matters when making their investment decision with respect to the relevant Floating Rate Notes or Reset Notes.

*Future discontinuance of Compounded Daily SOFR may adversely affect the value of Floating Rate Notes which are linked to or which reference such benchmark rate*

In the case of Floating Rate Notes where “Compounded Daily SOFR” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being the Reference Rate (any such Notes, **SOFR-Linked Notes**), investors should be aware that, if the SOFR Benchmark were discontinued or otherwise unavailable, the rate of interest on the SOFR-Linked Notes will be determined for the relevant period by the fallback provisions applicable to such SOFR-Linked Notes. The Terms and Conditions of the SOFR-Linked Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Transition Event (as defined in the Terms and Conditions and including, for example, if there is a public statement or publication of information by the regulatory supervisor for the administrator of the SOFR Benchmark announcing that the SOFR Benchmark is no longer representative) occurs. If the circumstances described in the preceding paragraph occur, such fallback arrangements will include the possibility that:

- (i) the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a SOFR Benchmark Replacement (as applicable) determined by the SOFR Benchmark Replacement Agent following consultation with the Independent Adviser (if applicable); and
- (ii) such SOFR Benchmark Replacement (as applicable) may be adjusted (if required) by the SOFR Benchmark Replacement Agent following consultation with the Independent Adviser (if applicable),

in any such case, acting in good faith and in a commercially reasonable manner as described more fully in the Terms and Conditions of the SOFR-Linked Notes.

The use of a SOFR Benchmark Replacement may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the SOFR-Linked Notes if the SOFR Benchmark remained available in its current form. In particular, if a SOFR Benchmark Transition Event occurs as a result of a public statement that the relevant SOFR Benchmark, as applicable, is no longer representative, the relevant rate of interest on the SOFR-Linked Notes may therefore cease to be determined by reference to that SOFR Benchmark and instead be determined by reference to a SOFR Benchmark Replacement, even if the SOFR Benchmark continues to be published.

Such SOFR Benchmark Replacement (including with the application of a SOFR Benchmark Replacement Adjustment) may be lower than the SOFR Benchmark, for so long as that SOFR Benchmark continues to be published, and the value of and return on the SOFR-Linked Notes may be adversely affected. The application of a SOFR Benchmark Replacement Adjustment, as described in the Terms and Conditions of the SOFR-Linked Notes, may result in the SOFR-Linked Notes performing differently (which may include payment of a lower interest rate) than they would do if the SOFR Benchmark were to continue to apply in its current form.

The SOFR Benchmark Replacement Agent, acting in good faith and in a commercially reasonable manner may also determine that other amendments to the Terms and Conditions of the SOFR-Linked Notes are necessary in order to follow market practice in relation to the SOFR Benchmark Replacement and to ensure the proper operation of the SOFR Benchmark Replacement.

No consent of the Noteholders shall be required in connection with effecting any relevant SOFR Benchmark Replacement or any other related adjustments and/or amendments described above.

Due to the uncertainty concerning the availability of SOFR Benchmark Replacements and the involvement of the SOFR Benchmark Replacement Agent, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such SOFR-Linked Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the SOFR-Linked Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the SOFR-Linked Notes. Investors should note that the SOFR Benchmark Replacement Agent, acting in good faith and in a commercially reasonable manner, will have discretion to adjust the relevant SOFR Benchmark Replacement in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder, any such adjustment will be favourable to each Noteholder.

In addition, potential investors should also note that no SOFR Benchmark Replacement will be adopted, and no other amendments to the terms of the SOFR-Linked Notes will be made if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the SOFR-Linked Notes: (i) where the SOFR-Linked Notes are Senior Preferred Notes (if applicable) or Senior Non-Preferred Notes, as MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the SOFR-Linked Notes, rather than the relevant Maturity Date; or (ii) where the SOFR-Linked Notes are Subordinated Notes, as Tier 2 Capital of the Issuer and/or (if applicable)

MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the SOFR-Linked Notes, rather than the relevant Maturity Date. In all such circumstances, the ultimate fallback for determining the rate of interest (which is described above) will apply.

Investors should consider all of these matters when making their investment decision with respect to the SOFR-Linked Notes.

*The market continues to develop in relation to SONIA and SOFR as a reference rate*

Where the Notes are SOFR-Linked Notes or where the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement for a Series of Floating Rate Notes specifies that the interest rate for such Floating Rate Notes will be determined by reference to SONIA (**SONIA-Linked Notes**), interest will be determined on the basis of Compounded Daily SONIA or Compounded Daily SOFR, respectively (each as defined in the Terms and Conditions of the Notes). Compounded Daily SONIA and Compounded Daily SOFR differ from Sterling and U.S. dollar LIBOR, respectively, in a number of material respects, including (without limitation) that Compounded Daily SONIA and Compounded Daily SOFR are backwards-looking, compounded, risk-free or secured overnight rates, whereas Sterling and U.S. dollar LIBOR are expressed on the basis of a forward-looking term and include a credit risk-element based on inter-bank lending. As such, investors should be aware that there may be a material difference in the behaviour of Sterling LIBOR and SONIA or U.S. dollar LIBOR and SOFR as interest reference rates for Floating Rate Notes. The use of SONIA and SOFR as a reference rate for Eurobonds is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of debt securities referencing SONIA and/or SOFR.

Each of the Bank of England and the Federal Reserve Bank of New York (the **FRBNY**) publish certain historical indicative secured overnight financing rates, although such historical indicative data inherently involves assumptions, estimates and approximations. Potential investors in SONIA-Linked Notes and SOFR-Linked Notes should not rely on such historical indicative data or on any historical changes or trends in SONIA or SOFR, as the case may be, as an indicator of the future performance of SONIA or SOFR, respectively. For example, since the initial publication of SOFR, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or market rates (see “*SOFR and SONIA may be more volatile than other benchmarks or market rates*” below). Accordingly, SONIA and SOFR over the term of any SONIA-Linked Notes or SOFR-Linked Notes, respectively, may bear little relation to the historical actual or historical indicative data.

Prospective investors in any Floating Rate Notes referencing Compounded Daily SONIA or Compounded Daily SOFR should be aware that the market continues to develop in relation to each of SONIA and SOFR as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR and U.S. dollar LIBOR, respectively. For example, in the context of backwards-looking SONIA and SOFR rates, market participants and relevant working groups have developed forward-looking ‘term’ SONIA and SOFR reference rates (which seek to measure the market’s forward expectation of an average SONIA or SOFR rate over a designated term). The adoption of SONIA or SOFR may also see component inputs into swap rates or other composite rates transferring from Sterling LIBOR or U.S. dollar LIBOR, respectively, or another reference rate to SONIA or SOFR.

The market or a significant part thereof may adopt an application of SONIA or SOFR that differs significantly from that set out in the Terms and Conditions of the Notes in the case of Floating Rate Notes for which Compounded Daily SONIA or Compounded Daily SOFR, respectively, is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. Furthermore, the Issuer may in the future issue Floating Rate Notes referencing SONIA or SOFR that differ materially in terms of the interest determination provisions when compared with the provisions for such determination as set out in Conditions 4.2(b)(ii) and 4.2(b)(iii), respectively. The development of Compounded Daily SONIA and Compounded Daily SOFR as an interest reference rate for the Eurobond markets, as well as continued development of SONIA and SOFR-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-Linked Notes or SOFR-Linked Notes issued under the Programme from time to time.

In addition, the manner of adoption or application of SONIA and SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA or SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA or SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Floating Rate Notes referencing Compounded Daily SONIA or Compounded Daily SOFR.

Since SONIA and SOFR are relatively new market reference rates, Floating Rate Notes referencing Compounded Daily SONIA or Compounded Daily SOFR may 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 Compounded Daily SONIA or Compounded Daily SOFR, such as the spread over the reference rate reflected in the interest rate provisions, may evolve over time, and trading prices of such debt securities may be lower than those of later issued debt securities as a result. Further, if Compounded Daily SONIA or Compounded Daily SOFR do not prove to be widely used in securities, the trading price of Floating Rate Notes referencing Compounded Daily SONIA or Compounded Daily SOFR, respectively, may be lower than those of debt securities referencing other reference rates that are more widely used.

Investors in SONIA-Linked and SOFR-Linked Notes may not be able to sell such Notes at all or may not be able to sell such Notes 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. There can also be no guarantee that SONIA or SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in such Notes. If the manner in which SONIA or SOFR is calculated is changed, that change may result in a reduction in the amount of interest payable on SONIA-Linked Notes or, as applicable, SOFR-Linked Notes and the trading prices of such Notes.

Investors should carefully consider these matters when making their investment decision with respect to any such Floating Rate Notes.

*Any failure of SONIA or SOFR to gain market acceptance could adversely affect SONIA-Linked Notes or SOFR-Linked Notes*

According to the Alternative Reference Rates Committee, convened by the Board of Governors of the FRBNY, SOFR was developed for use in certain U.S. dollar derivatives and other financial contracts as an alternative to U.S. dollar LIBOR in part because it is considered a good representation of general funding conditions in the overnight U.S. Treasury repurchase agreement market. However, as a rate based on transactions secured by U.S. Treasury securities, it does not measure bank-specific credit risk and, as a result, is less likely to correlate with the unsecured short-term funding costs of banks. Similar considerations apply in respect of SONIA. This may mean that market participants may not consider SOFR or SONIA a suitable replacement or successor for all of the purposes for which U.S. dollar or Sterling LIBOR historically has been used (including, without limitation, as a representation of the unsecured short-term funding costs of banks), which may, in turn, lessen market acceptance of SOFR or SONIA. Any failure of SOFR or SONIA to gain market acceptance could adversely affect the return on and value and market price of SONIA-Linked Notes or SOFR-Linked Notes and the price at which investors can sell such Notes in the secondary market.

*The amount of interest payable with respect to each Interest Period will only be determined near the end of the Interest Period for SONIA-Linked Notes and SOFR-Linked Notes*

The rate of interest on SONIA-Linked Notes and SOFR-Linked Notes is only capable of being determined at the end of the relevant SONIA Observation Period (as defined in Condition 4.2(b)(ii)) or SOFR Observation Period (as defined in Condition 4.2(b)(iii)) and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in any such Notes to estimate reliably the amount of interest which will be payable on such Notes on each Interest Payment Date, and some investors may be unable or unwilling to trade such Notes without changes to their information technology systems, both of which factors could adversely impact the liquidity of such Notes. Further, if SONIA-Linked Notes or SOFR-Linked Notes become due and payable as a result of an enforcement event under Condition 9, 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 Notes shall only be

determined by reference to a shortened period ending immediately prior to the date on which the Floating Rate Notes become due and payable.

*SOFR and SONIA may be more volatile than other benchmarks or market rates*

Since the initial publication of SOFR, daily changes in SOFR have, on occasion, been more volatile than daily changes in other benchmark or market rates, such as U.S. dollar LIBOR. Although changes in Compounded SOFR generally are not expected to be as volatile as changes in daily levels of SOFR, the return on and value and market price of SOFR-Linked Notes may fluctuate more than floating rate securities that are linked to less volatile rates. In addition, the volatility of SOFR has reflected the underlying volatility of the overnight U.S. Treasury repo market. The FRBNY has at times conducted operations in the overnight U.S. Treasury repo market in order to help maintain the federal funds rate within a target range. There can be no assurance that the FRBNY will continue to conduct such operations in the future, and the duration and extent of any such operations is inherently uncertain. Similar considerations may also apply in respect of SONIA. The effect of any such operations, or of the cessation of such operations to the extent they are commenced, is uncertain and could be materially adverse to investors in SOFR-Linked Notes or SONIA-Linked Notes, as applicable.

*The interest rate on SONIA-Linked Notes and SOFR-Linked Notes will be based on Compounded Daily SONIA and Compounded Daily SOFR, respectively, which are relatively new in the marketplace and may be determined by reference to the SONIA Compounded Index or the SOFR Index, respectively, a relatively new market index*

For each Interest Period, the interest rate on any SONIA-Linked Notes or SOFR-Linked Notes is based on Compounded Daily SONIA or Compounded SOFR, respectively, which is calculated on a daily compounded basis (or, where Index Determination is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, by reference to the relevant index) and not the SONIA or SOFR rate published on or in respect of a particular date during such Interest Period or an arithmetic average of SONIA or SOFR rates during such Interest Period. Each of the SONIA Compounded Index and the SOFR Index measures the cumulative impact of compounding SONIA or SOFR, respectively, on a unit of investment over time. The value of the SONIA Compounded Index or the SOFR Index on a particular business day reflects the effect of compounding SONIA or SOFR, respectively, on such business day and allows the calculation of Compounded Daily SONIA or SOFR averages, as applicable, over custom time periods. For this and other reasons, the interest rate on SONIA-Linked Notes or SOFR-Linked Notes during any Interest Period will not be the same as the interest rate on other SONIA or SOFR-linked investments that use an alternative basis to determine the applicable interest rate. Further, if the SONIA or SOFR rate in respect of a particular date during a Interest Period is negative, its contribution to the relevant compounded rate will be less than one, resulting in a reduction to such compounded rate used to calculate the interest payable on any SONIA-Linked Notes or SOFR-Linked Notes on the interest payment date for such Interest Period.

Limited market precedent exists for securities that use SONIA or SOFR as the interest rate and the method for calculating an interest rate based upon SONIA or SOFR in those precedents varies. In addition, the Bank of England and the FRBNY only began publishing the SONIA Compounded Index and the SOFR Index, respectively, recently. Accordingly, the specific formulas for Compounded Daily SONIA and Compounded Daily SOFR set out in the Terms and Conditions of the Notes and the use of the SONIA Compounded Index or SOFR Index for the purposes of calculating Compounded Daily SONIA or Compounded Daily SOFR, respectively, may not be widely adopted by other market participants, if at all. If the market adopts a different calculation method, that would likely adversely affect the market value of any respective SONIA-Linked Notes or SOFR-Linked Notes.

*There can be no assurance that SONIA or SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of holders of SONIA-Linked Notes or SOFR-Linked Notes, respectively*

SONIA and SOFR are published by the Bank of England and the FRBNY as the respective administrators of SONIA and SOFR based on data received from sources other than the Issuer. The Issuer has no control over the determination, calculation or publication of SONIA or SOFR. The administrator of SONIA or SOFR may make changes that could change the value of SONIA or SOFR, as the case may be, or discontinue SONIA or



SOFR, respectively, and has no obligation to consider the interests of holders of SONIA-Linked Notes or SOFR-Linked Notes in doing so. Each of the Bank of England or the FRBNY (or, in each case, a successor), as the respective administrator of SONIA and SOFR, respectively, may make methodological or other changes that could change the value of SONIA or, SOFR, including changes related to the method by which SONIA or SOFR is calculated, eligibility criteria applicable to the transactions used to calculate SONIA or SOFR, or timing related to the publication of SONIA and SOFR. In addition, the respective administrators of SONIA or SOFR may alter, discontinue or suspend calculation or dissemination of SONIA or SOFR (in which case a fallback method of determining the interest rate on any SONIA-Linked Notes or SOFR-Linked Notes, respectively, will apply, as further described in Conditions 4.2(b)(ii) and 4.2(b)(iii), respectively).

There can be no assurance that SONIA or SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of holders of SONIA-Linked Notes or SOFR-Linked Notes, respectively. If the manner in which SONIA or SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on any respective SONIA-Linked Notes or SOFR-Linked Notes, which may adversely affect the trading prices of such Notes. If the rate at which interest accrues on any SONIA-Linked Notes or SOFR-Linked Notes for any Interest Period declines to zero or becomes negative, no interest will be payable on such Notes on the Interest Payment Date for such Interest Period. The administrator of each of SONIA and SOFR has no obligation to consider the interests of holders of SONIA-Linked Notes or SOFR-Linked Notes, respectively, in calculating, adjusting, converting, revising or discontinuing SONIA or SOFR, as the case may be. In addition, the administrator of each of SONIA or SOFR may withdraw, modify or amend the published SONIA or SOFR rate or other SONIA or SOFR data, respectively, in its sole discretion and without notice.

*The SONIA Compounded Index or SOFR Index may be modified or discontinued, which could adversely affect the value and market price of any SONIA-Linked Notes or SOFR-Linked Notes where Index Determination is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement*

The SONIA Compounded Index and the SOFR Index are published by the Bank of England and the FRBNY, respectively, based on data received by them from sources other than the Issuer, and the Issuer has no control over their methods of calculation, publication schedule, rate revision practices or the availability of the SONIA Compounded Index or SOFR Index at any time. There can be no guarantee, particularly given its relatively recent introduction, that the SONIA Compounded Index or the SOFR Index will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in any SONIA-Linked Notes or SOFR-Linked Notes where Index Determination is applicable. If the manner in which the SONIA Compounded Index or the SOFR Index is calculated, including the manner in which SONIA or SOFR, respectively, is calculated, is changed, that change may result in a reduction in the amount of interest payable on any Floating Rate Notes referencing Compounded Daily SONIA or Compounded Daily SOFR where Index Determination is applicable and the trading prices of such Notes. In addition, the Bank of England or the FRBNY may withdraw, modify or amend the published SONIA Compounded Index or SOFR Index, respectively, or other SONIA or SOFR data in its sole discretion and without notice. The interest rate for any Interest Period will not be adjusted for any modifications or amendments to the SONIA Compounded Index or the SOFR Index or other SONIA or SOFR data that the Bank of England or the FRBNY may publish after the interest rate for that Interest Period has been determined.

*Notes issued with a specific use of net proceeds, such as Green, Social or Sustainability Bonds may not be suitable for the investment criteria of an investor*

As described in the section “Use of Proceeds” of this Base Prospectus, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation to a particular Tranche of Notes (any such Notes, **Green, Social or Sustainability Bonds**) may provide that it will be the Issuer’s intention to apply an amount equal to the net proceeds of the issue of such Green, Social or Sustainability Bonds to finance or refinance, in whole or in part, Green or Social Loans, as further described in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and the Sustainable Funding Framework (as defined below). The use of such amount equal to the net proceeds may not 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, the relevant Green or Social Loans, as further described in the Sustainable Funding Framework).

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green”, “blue”, “social” or “sustainable” or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green”, “blue”, “social” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. A basis for the determination of such a definition has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the **EU Taxonomy Regulation**) on the establishment of a framework to facilitate sustainable investment (the **EU Taxonomy**), which is subject to phased implementation. The EU Taxonomy Regulation is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the EU Taxonomy Regulation. On 21 April 2021, the European Commission approved the first delegated act and the Delegated Regulation supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council (the **EU Taxonomy Climate Delegated Act**) was formally adopted on 4 June 2021 and applied from 1 January 2022. The EU Taxonomy Climate Delegated Act is aimed at supporting sustainable investment by making it clear which economic activities most contribute to the EU’s environmental objectives. The EU Taxonomy Climate Delegated Act sets out criteria for economic activities in the sectors that are most relevant for achieving climate neutrality and delivering on climate change adaptation. This includes sectors such as energy, forestry, manufacturing, transport and buildings. On 27 June 2023, the European Commission formally adopted the second Delegated Regulation supplementing the EU Taxonomy Regulation (the **EU Taxonomy Environmental Delegated Act**). The EU Taxonomy Environmental Delegated Act was published in the EU Official Journal on 21 November 2023 and applied from 1 January 2024. The EU Taxonomy Environmental Delegated Act sets out criteria for economic activities making a substantial contribution to one or more of the non-climate environmental objectives.

The Sustainable Funding Framework provides that the designation of the Eligible Project Categories has had and will, on a best efforts basis, have regard to categories of environmental activities that are included in the EU Taxonomy Regulation and that the eligibility criteria for each subcategory of Green Loans has been designed and will be designed, on a best efforts basis, to comply with the technical screening criteria set out in the EU Taxonomy Climate Delegated Act as in effect at the date of the Sustainable Funding Framework, provided, in each case, that there are feasible practical Eligible Project Categories meeting these requirements in the geographies in which the Issuer’s assets are located as a matter of local regulation. Because all criteria for such objectives have not yet been developed and disclosed, no assurance or representation is or can be given that any Green or Social Loans or any Green, Social or Sustainability Bonds will be compliant with the EU Taxonomy Regulation.

In addition, no assurance or representation is or can be given that any Green, Social or Sustainability Bonds issued under the Programme will be compliant with the Regulation (EU) 2023/2631 of the European Parliament and of the Council on European Green Bonds (the **EU Green Bond Regulation**) or will meet any of the requirements of market participants subject to Regulation (EU) 2019/2088 of the European Parliament and of the Council on Sustainability-Related Disclosure in the Financial Services Sector (the **SFDR**), and any delegated or other implementing regulations and guidelines, or any similar legislation in the United Kingdom. The EU Green Bond Regulation was published in the Official Journal of the EU on 30 November 2023 and will start applying from 21 December 2024. Accordingly, alignment with the EU Taxonomy Regulation, once the technical screening criteria are established, and/or the SFDR is not certain and no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green or Social Loans will meet or continue to meet on an ongoing basis any or all investor expectations regarding such “green”, “blue”, “social” or “sustainable” or other equivalently-labelled performance objectives, 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 Green or Social Loans. With respect to the EU Green Bond Regulation, Green, Social or Sustainability Bonds issued under the Programme will not be aligned with the EU Green Bond Regulation and are intended to comply with the criteria and processes set out in the Sustainable Funding Framework only. It is not clear at this stage the impact which the EU Green Bond Regulation, when implemented, may have on investor demand or, and pricing of, green use of proceeds bonds (such as any Green, Social or Sustainability Bonds Bonds which may be issued under the Programme) that do not meet such standard. It could reduce demand and liquidity for Green, Social or Sustainability Bonds and their price.

In addition, the requirements of any such definition may evolve from time to time, and, as such, the use of the proceeds of Green, Social or Sustainability Bonds may not meet any or all Noteholders expectations regarding such “green”, “blue”, “social”, “sustainable” or other equivalently-labelled performance objectives or any investment criteria or guidelines with which an investor or its investments are required to comply, whether by any present or future applicable law, regulations or standards 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 of the Green or Social Loans funded with an amount at least equivalent to the net proceeds from Green, Social or Sustainability Bonds or that the Sustainable Funding Framework will be aligned with the EU Taxonomy Regulation or any other applicable laws, regulations or standards.

Any opinion or certification by a third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Green, Social or Sustainability Bonds and in particular with any project to fulfil any environmental, and/or other criteria may not be suitable for Noteholders’ purposes. For the avoidance of doubt, the Sustainable Funding Framework and any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Green, Social or Sustainability Bonds. Any such opinion or certification is only current as of the date that opinion was issued. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any Green, Social or Sustainability Bonds are listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), such listing or admission may not 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 projects. Furthermore, 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. Such listing or admission to trading obtained in respect of any such Green, Social or Sustainability Bonds may not be maintained during the life of the Green, Social or Sustainability Bonds.

Whilst it is the intention of the Issuer to apply an amount equal to the net proceeds of the Green, Social or Sustainability Bonds in, or substantially in, the manner described in the Sustainable Funding Framework, the related projects may not be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and accordingly such proceeds may not be totally or partially disbursed for such projects. Such projects may not 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. None of the Dealers will assess, verify or monitor the application of the amount equal to the net proceeds of any such Green, Social or Sustainability Bonds issued under the Programme. For the avoidance of doubt, neither the proceeds of any Green, Social or Sustainability Bonds nor any amount equal to such proceeds will be segregated by the Issuer from its capital and other assets, and there will be no direct or contractual link between any Green, Social or Sustainability Bonds and any Green or Social Loans (or any other environmental or similar targets set by the Issuer) and consequently neither payments of principal and interest (as the case may be) on, nor an investor’s right to accelerate repayment of, the Green, Social or Sustainability Bonds shall depend on the performance of the relevant Green or Social Loans or the performance of the Issuer in respect of any such environmental or similar targets.

Any event or failure by the Issuer to apply an amount equal to the net proceeds of any issue of Green, Social or Sustainability Bonds, withdrawal of any opinion or certification relating to the allocation of such amount, publication of any 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, failure to obtain and publish any reports, assessments, opinions and certifications, any Green, Social or Sustainability Bonds no longer being listed or admitted to trading or displayed on any stock exchange or securities market as aforesaid, the fact that the maturity of an Green or Social Loan may not match the minimum duration of any Green, Social or Sustainability Bonds and/or or the failure by the Issuer to meet any other environmental or sustainability targets, will not, in any such case (i) give rise to any claim of a Noteholder against the Issuer; (ii) constitute an Enforcement Event under the Notes or a default of the Issuer for any purpose; (iii) lead to an obligation of the Issuer to redeem such Green, Social or Sustainability Bonds or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Green, Social or Sustainability Bonds; or (iv) in the case of Subordinated Notes, affect the qualification of such Notes as Tier 2 Capital and/or (if applicable) MREL Eligible Liabilities or, in the case of Senior Preferred Notes or Senior Non-Preferred Notes, affect the qualification of such Notes as MREL Eligible Liabilities, if applicable.

Any such event or failure and/or withdrawal of any opinion or certification as described above 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 Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value and marketability of the Green, Social or Sustainability Bonds and/or result in adverse consequences for Noteholders with portfolio mandates to invest in securities to be used for a particular purpose. For the avoidance of doubt, it is however specified that payments of principal and interest (as the case may be) on the Green, Social or Sustainability Bonds shall not depend on the performance of the relevant project.

Investors should be aware that Green, Social or Sustainability Bonds may also be subject to the resolution tools granted to the competent authority under the BRRD in circumstances where the Issuer fails or is likely to fail. For more information on the Issuer Recovery and Resolution Directive, see “*Business Overview — Regulatory and Tax Environment — Capital Requirements and European Bank Recovery and Resolution Directive*”. In particular, Green, Social or Sustainability Bonds will be subject to the exercise of the general bail-in tool and/or the non-viability loss absorption (in respect of Subordinated Notes) to the same extent and with the same ranking as any other Note which is not a Green, Social or Sustainability Bonds. Further, any Green, Social or Sustainability Bonds as with other Notes, will be fully subject to the application of CRR eligibility criteria and BRRD requirements and, as such, proceeds from any such Green, Social or Sustainability Bonds will cover all losses in the balance sheet of the Issuer regardless of their “green”, “social” or “sustainable” label. Further, the limitations on remedies available to Noteholders (see “*There are limited enforcement events in relation to the Notes*”) apply equally to Noteholders of Green, Social or Sustainability Bonds and as such, the enforcement rights of the Noteholders of Green, Social or Sustainability Bonds are extremely limited.

Additionally, their labelling as Green, Social or Sustainability Bonds will not (i) affect the regulatory treatment of such Notes as Tier 2 Capital or MREL Eligible Liabilities (as applicable) or (ii) have any impact on their status as indicated in Condition 3.

### ***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:

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

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes 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 Notes 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 Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*If an investor holds Notes which are not denominated in the investor's home currency, 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 Notes could result in the investor not receiving payments on those Notes*

The Issuer will pay principal and interest on the Notes 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) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. 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 Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

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 Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

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

Investment in Fixed Rate Notes or Reset Notes involves the risk that subsequent increases in market interest rates above the rate paid on the relevant Fixed Rate Notes or Reset Notes will adversely affect the value of the Fixed Rate Notes or Reset Notes.

In addition, a holder of Reset Notes is also exposed to the risk of fluctuating interest rate levels and uncertain interest income.

*Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. 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 Notes. A credit rating 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 addition, rating agencies may assign unsolicited ratings to the Notes. In such circumstances there can be no assurance that the unsolicited rating(s) will not be lower than the comparable solicited ratings assigned to the Notes, which could adversely affect the market value and liquidity of the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA 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 third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country 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 ESMA on its website (at

<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) 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.

Investors regulated in the UK are subject to similar restrictions under the Regulation (EC) No. 1060/2009 as it forms part of UK 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 ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (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, not having been withdrawn or suspended, and (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 Notes 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 Notes may have a different regulatory treatment, which may impact the value of the Notes 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.

### ***Risks related to the Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

*The exercise of any power under the BRRD, as implemented in Iceland, could materially adversely affect the rights of holders of Notes*

The BRRD is designed to provide the respective authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing relevant entity. This set of tools includes in particular the “bail-in tool” which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity and to convert certain unsecured debt claims (including Notes) to equity. For more information on the Bank Recovery and Resolution Directive, see “*Business Overview — Regulatory and Tax Environment — Capital Requirements and European Bank Recovery and Resolution Directive*”.

The BRRD has been implemented in Iceland with Act 54/2018 amending the Act on Financial Undertakings, by Act 70/2020 on the Recovery and Resolution of Credit Institutions and Investment Firms (the **Recovery and Resolution Act**), 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 (the **Deposit Insurance Act**).

Therefore, holders of Notes may be subject to any application of the resolution tools (such as the general bail-in tool) or (in the case of Subordinated Notes) on any application of the non-viability loss absorption measure, which may result in such holders losing some or all of their investment in the Notes, or their rights in respect of the Notes and/or the value of their investment may otherwise be materially adversely affected. The exercise of any power under the BRRD, as implemented in Iceland, or any suggestion of such exercise could, therefore, materially adversely affect the rights of holders of Notes, the price of value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under the relevant Notes. Furthermore, the resolution authorities will have the power to amend or alter the maturity of debt instruments (including the Notes) and other eligible liabilities or amend the amount of interest payable under such instruments (including the Notes)

and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

Under the Hierarchy of Claims Act, debt instruments that meet the following criteria will be considered as “senior non-preferred notes” (and Senior Non-Preferred Notes hereunder) and will rank lower than ordinary unsecured claims (including Senior Preferred Notes 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 unsubordinated notes of the Issuer will rank *pari passu* with any Senior Preferred Notes of the Issuer; and (ii) existing unsubordinated notes of the Issuer and Senior Preferred Notes of the Issuer will rank senior to any Senior Non-Preferred Notes of the Issuer.

*The Notes are unsecured and do not have the benefit of a negative pledge provision*

The Notes will be unsecured and do not have the benefit of a negative pledge provision. If the Issuer defaults on the Notes, or in the event of a bankruptcy, liquidation, reorganisation or winding-up, then, to the extent that the Issuer has granted security over its assets, the assets that secure those obligations will be used to satisfy the obligations thereunder before the Issuer could sell or otherwise dispose of those assets in order to make payment on the Notes. As a result of the granting of such security, there may only be limited assets available to make payments on the Notes in the event of an acceleration of the Notes. In addition, the Issuer is able to issue other similar securities which do have the benefit of security which may impact on the market price of its securities, such as the Notes, which are unsecured.

*Noteholders may have limited rights in the event the Issuer is subject to winding-up proceedings*

It should be noted that there is currently some doubt regarding securities that are represented by global notes and the filing of claims against a financial institution, in the event an issuer becomes insolvent and is subject to winding-up proceedings. In a judgment from 2011 regarding a debt issuance programme similar to this Programme, the Supreme Court held that the holder of the Global Note can file a claim against an estate, not beneficial owners of interests in the Global Note themselves. As at the date hereof, investors should be aware that they may not be able to file a claim against the Issuer directly, should the Issuer become insolvent or become the subject of winding-up proceedings unless their interests in a Global Note have been exchanged for definitive Notes in accordance with the Terms and Conditions of the Notes. This means that Noteholders may lose all rights attaching to their interests in a Global Note other than financial rights, i.e. rights to participate and vote in creditor meetings as well as other rights which they may have.

*The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders (including by way of conference call or by use of a videoconference platform or a combination thereof) to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

In the case of Notes other than Dematerialised Notes, the Principal Paying Agent and the Issuer may agree, without the consent of any of the Noteholders or Couponholders, to any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”) which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error to comply with mandatory provisions of the law.

In the case of Dematerialised Notes, the VPS Account Manager (in the case of VPS Notes only), the Principal Paying Agent (insofar as the relevant modification relates to the Agency Agreement) and the Issuer may agree, without the consent of any of the Noteholders, to any modification of the Dematerialised Notes, the VPS Account Manager Agreement (in the case of VPS Notes only) (as defined under “*Terms and Conditions of the Notes*”) or the Agency Agreement (insofar as the relevant modification to the Agency Agreement relates to the Dematerialised Notes) on the same basis.

Any such modification will be binding on all the Noteholders of the relevant Series of Notes and any such modification shall be notified to the Noteholders in accordance with Condition 13 (Notices) as soon as practicable thereafter.

*The value of the Notes could be adversely affected by a change in English law or administrative practice, Icelandic law or administrative practice or Norwegian law or administrative practice, as the case may be*

Except for CSD Notes and except for (i) (in the case of Bearer, Registered and VPS Notes) the provisions of Condition 3 and (ii) (in the case of VPS Notes) the provisions relating to registration of VPS Notes in Euronext VPS, the Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. CSD Notes and (in the case of Bearer, Registered and VPS Notes) Condition 3 shall, in each case, be governed by, and construed in accordance with, Icelandic law. Condition 14.2 and the registration of VPS Notes in Euronext VPS shall, in each case, be governed by, and construed in accordance with, Norwegian law. No assurance can be given as to the impact of any possible judicial decision or change to English, Icelandic or Norwegian law or administrative practice, as the case may be, after the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English, Icelandic or Norwegian law, as the case may be, or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

*There are circumstances in which a court may apply Icelandic laws (or the laws of other jurisdictions) notwithstanding the choice of English law, Norwegian law or Icelandic law, as the case may be, to govern the Terms and Conditions of the Notes (or part thereof)*

Whilst the choice of English law, Norwegian law or Icelandic law, as the case may be, as the governing law of parts of the Terms and Conditions of the Notes described above will generally be upheld as a valid choice by many courts, there will be circumstances in which the relevant choice may not be upheld or may, at least partially, be displaced. There may, therefore, be circumstances in which Icelandic laws (for example capital or exchange control laws) or indeed the laws of another jurisdiction may be applied by a court notwithstanding the choice of English law or, as the case may be, Norwegian law to govern parts of the Terms and Conditions of the Notes.

In particular (a) the English courts may give effect to the “overriding mandatory provisions” of the law of the country where the obligations arising out of the Terms and Conditions of the Notes have to be or have been performed, “insofar as those overriding mandatory provisions render the performance of the contract unlawful” (Article 9(3) of Regulation (EC) No. 593/2008 of the European Parliament and of the Council of 17 June 2008, as it forms part of UK domestic law by virtue of the EUWA (**Rome I**)); and (b) there are circumstances in which reorganisation measures adopted by certain states in respect of credit institutions must be given effect to in other states pursuant to Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions (this directive is incorporated into English law by the Credit Institutions (Reorganisation and Winding Up) Regulations 2004).

As a result, there are circumstances in which a law other than English law, Norwegian law or Icelandic law, as the case may be, may determine whether certain Terms and Conditions of the Notes are enforceable against the Issuer. It should be noted in this context that there may be circumstances in which proceedings arising out of or in connection with the Terms and Conditions of the Notes may be brought in courts other than the English courts and/or in which the English courts may refuse to hear proceedings brought before them.



*Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a holder 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 would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder 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 a definitive Bearer Note in respect of such holding (should such Notes be printed) or issued and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Bearer Notes are issued, holders should be aware that definitive Bearer Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Base Prospectus:

- (i) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2021 (including the auditors' report thereon) which are provided on pages 8 to 86 (inclusive) of the Consolidated Financial Statements 2021 (the **2021 Financial Statements**) which can be viewed online at [https://cdn.islandsbanki.is/image/upload/v1/documents/islandsbanki\\_hf\\_Consolidated\\_Financial\\_Statements\\_2021.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/islandsbanki_hf_Consolidated_Financial_Statements_2021.pdf);
- (ii) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2022 (including the auditors' report thereon) which are provided on pages 9 to 87 (inclusive) of the Consolidated Financial Statements 2022 (the **2022 Financial Statements**) which can be viewed online at <https://storage.mfn.se/43a9455a-9eb9-4ee6-9c48-2c93fea71b20/isb-consolidated-financial-statements-2022.pdf>;
- (iii) the audited consolidated financial statements of the Issuer for the year ended 31 December 2023 (including the auditors' report thereon), which are provided on pages 10 to 86 (inclusive) of the Consolidated Financial Statements 2023 (the **2023 Financial Statements**) which can be viewed online at: [https://cdn.islandsbanki.is/image/upload/v1/documents/ISB\\_Consolidated\\_Financial\\_Statements\\_2023.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_Consolidated_Financial_Statements_2023.pdf);
- (iv) the unaudited consolidated financial statements of the Issuer for the three months ended 31 March 2024 which are provided on pages 6 to 56 (inclusive) of the Condensed Consolidated Interim Financial Statements – First quarter 2024 which can be viewed online at: [https://cdn.islandsbanki.is/image/upload/v1/documents/ISB\\_Condensed\\_Consolidated\\_Interim\\_Financial\\_Statements\\_first\\_quarter\\_2024.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_Condensed_Consolidated_Interim_Financial_Statements_first_quarter_2024.pdf);
- (v) sections 4, 5, 6, 7 and 8 of the Issuer's Pillar 3 Report 2023 which can be viewed online at <https://cdn.islandsbanki.is/image/upload/v1/documents/Pillar3Report2023.pdf>;
- (vi) the section "Terms and Conditions of the Notes" (pages 88 to 149 inclusive) set out in the base prospectus relating to the Programme dated 29 April 2022 which can be viewed online at <https://cdn.islandsbanki.is/image/upload/v1/documents/UKO2-2004535409-v1-Islandsbanki-2022-Update-Prospectus.pdf>; and
- (vii) the section "Terms and Conditions of the Notes" (pages 93 to 157 inclusive) set out in the base prospectus relating to the Programme dated 28 March 2023 which can be viewed online at [https://cdn.islandsbanki.is/image/upload/v1/documents/2023\\_islandsbanki-hf-Base-Prospectus.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/2023_islandsbanki-hf-Base-Prospectus.pdf).

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (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.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES

The Notes of each Series will be in (i) bearer form, with or without interest coupons attached, (ii) registered form, without interest coupons attached or (iii) uncertificated and dematerialised form and cleared through the Relevant Dematerialised Clearing System.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, a permanent global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, each a **Bearer Global Note**) which, in either case, will:

- (a) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking SA (**Clearstream, Luxembourg**) and, together with Euroclear, the **International Central Securities Depositories** or **ICSDs**); or
- (b) if the Global Notes 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 (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will also indicate whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note, if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Department regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On or after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note, if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Enforcement Event (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer determines that it has or will become subject to adverse tax consequences which would not be suffered were the Bearer Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary or the common safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

“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 OF 1986, AS AMENDED.”

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

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**). Registered Global Notes will be deposited with a common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will specify whether or not such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility and therefore whether such Registered Global Notes are intended to be held under the New Safekeeping Structure (the **NSS**). Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary

policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. Notes intended to be held under the NSS will be deposited with, and registered in the name of a common nominee of, one of the ICSDs acting as common safekeeper. The common safekeeper for Notes held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5.4) as the registered holder of the Registered Global Notes. 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 or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Enforcement Event has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) 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.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and/or Clearstream, Luxembourg, in each case to the extent applicable.

### **Dematerialised Notes**

Each Tranche of Dematerialised Notes will be issued in uncertificated and dematerialised book entry form. Legal title to Dematerialised Notes will be evidenced by book entries in the records of the Relevant Dematerialised Clearing System. Issues of VPS Notes are subject to the VPS Account Manager Agreement (as defined under “*Terms and Conditions of the Notes*”). On the issue of VPS Notes, the Issuer will send a copy of the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement to the Principal Paying Agent and the VPS Account Manager. Following notification to Euronext VPS of the terms relating to the VPS Notes by (or on behalf of) the Issuer and of the subscribers and their Euronext VPS account details by the relevant Dealer, the VPS Account Manager, acting on behalf of the Issuer, will give instructions to Euronext VPS to credit each subscribing account holder with Euronext VPS with a nominal amount of VPS Notes equal to the nominal amount thereof for which it has subscribed and paid. On the issue of CSD Notes, the Issuer will send a copy of the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement to the Principal Paying Agent and (if the CSD Account Manager is not the Issuer) the CSD Account Manager. Following notification to the relevant CSD of the terms relating to the CSD Notes by (or on behalf of) the Issuer and of the subscribers and their relevant CSD account details by the relevant Dealer, the CSD Account Manager, acting on behalf of the Issuer (if the CSD Account Manager is not the Issuer), will give instructions

to the relevant CSD to credit each subscribing account holder with the relevant CSD with a nominal amount of CSD Notes equal to the nominal amount thereof for which it has subscribed and paid.

Settlement of sale and purchase transactions in respect of the Dematerialised Notes in the Relevant Dematerialised Clearing System will take place in accordance with market practice at the time of the transaction. Transfers of interests in the relevant Dematerialised Notes will take place in accordance with the rules and procedures for the time being of the Relevant Dematerialised Clearing System.

Dematerialised Notes will not be exchangeable for any physical note or document of title other than statements of account made by the Relevant Dematerialised Clearing System.

## **General**

Pursuant to the Agency Agreement, in the case of Notes other than Dematerialised Notes, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or the Relevant Dematerialised Clearing System shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager.

A Note may be accelerated by the holder thereof in certain limited circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on the day immediately following such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 29 April 2022 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new prospectus or a supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Save in the case of Dematerialised Notes, Notes issued under the Programme will be represented on issue by one or more Global Notes that may be delivered to a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

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

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes 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.



## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes issued under the Programme*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes 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 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) (**MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (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 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup> *[Include unless the Final Terms specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”]*

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes 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 (**EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 (as amended) (**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 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 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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>2</sup> *[Include unless the Final Terms specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”]*

**[<sup>3</sup>MiFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [MiFID II/Directive 2014/65/EU (as amended) (**MiFID II**)]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Details of any negative target market to be included if applicable]*. Any person subsequently offering, selling or recommending the Notes (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 Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[<sup>4</sup>UK MIFIR product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment

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<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared in the EEA or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>2</sup> Legend to be included on the front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared in the UK or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>3</sup> Legend to be included on front of the Final Terms if following the ICMA 1 “all bonds to all professionals” target market approach.

<sup>4</sup> Legend to be included on front of the Final Terms if following the ICMA 1 “all bonds to all professionals” target market approach.

in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Details of any negative target market to be included if applicable*]. Any person subsequently offering, selling or recommending the Notes (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 is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

<sup>5</sup>**MiFID II product governance / Retail investors, professional investors and ECPs** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [MiFID II/Directive 2014/65/EU (as amended) (**MiFID II**): **EITHER**<sup>6</sup> [and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services] **OR**<sup>7</sup> [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate, (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice[,/ and] portfolio management[,/ and][ non-advised sales ] [and pure execution services]], subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable]]. [*Consider any negative target market*] [Any person subsequently offering, selling or recommending the Notes (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 Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels[, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable]<sup>8</sup>.]

<sup>9</sup>**UK MIFIR product governance / Retail investors, professional investors and ECPs** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is retail clients, 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 (**EUWA**), and 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 UK domestic law by virtue of the EUWA; **EITHER**<sup>10</sup> [and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services] **OR**<sup>11</sup> [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice[,/ and] portfolio management[,/ and][ non-advised sales ] [and pure execution services]], subject to the distributor’s suitability and appropriateness obligations under COBS, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (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 is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or

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<sup>5</sup> Legend to be included on the front of the Final Terms if following the ICMA 2 approach.

<sup>6</sup> Include for bonds that are not ESMA complex.

<sup>7</sup> Include for certain ESMA complex bonds. This list may need to be amended, for example, if advised sales are deemed necessary. If there are advised sales, a determination of suitability will be necessary. In addition, if the Notes constitute “complex” products, pure execution services are not permitted to retail without the need to make the determination of appropriateness required under Article 25(3) of MiFID II.

<sup>8</sup> If the Notes constitute “complex” products, pure execution services are not permitted to retail without the need to make the determination of appropriateness required under Article 25(3) of MiFID II. If there are advised sales, a determination of suitability will be necessary.

<sup>9</sup> Legend to be included on the front of the Final Terms if following the ICMA 2 approach.

<sup>10</sup> Include for bonds that are not ESMA complex (in the UK context, as reflected in COBS).

<sup>11</sup> Include for certain ESMA complex bonds (in the UK context, as reflected in COBS). This list may need to be amended, for example, if advised sales are deemed necessary. If there are advised sales, a determination of suitability will be necessary. In addition, if the Notes constitute “complex” products, pure execution services are not permitted to retail without the need to make the determination of appropriateness.

refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels[, subject to the distributor’s suitability and appropriateness obligations under COBS, as applicable]<sup>12</sup>.]

**[Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**), 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”]/[“capital markets products other than prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [“Excluded Investment Products”]/[“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 Recommendations on Investment Products).]

[Date]

## **ÍSLANDBANKI HF.**

*(incorporated with limited liability in Iceland)*

**Legal entity identifier (LEI): 549300PZMFIQR79Q0T97**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$2,500,000,000  
Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 3 May 2024 (the **Base Prospectus**) [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of [Regulation (EU) 2017/1129 (for the purposes of these Final Terms, the **Prospectus Regulation**)] [the Prospectus Regulation]. This document constitutes the Final Terms of the Notes described herein for the purpose of the Prospectus Regulation and must be read in conjunction with the Base Prospectus [as so supplemented] in order to obtain all the relevant information. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website [of [the Issuer] at [●] [and on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>]] and copies may be obtained during normal business hours from the registered office of the Issuer at Hagasmári 3, 201 Kópavogur, Iceland and from the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated [29 April 2022/28 March 2023] which are incorporated by reference in the Base Prospectus dated 3 May 2024. This document constitutes the Final Terms of the Notes described herein for the purposes of [Regulation (EU) 2017/1129 (for the purposes of these Final Terms, the **Prospectus Regulation**)] [the Prospectus Regulation] and must be read in conjunction with the Base Prospectus dated 3 May 2024 [and the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Base Prospectus**), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website [of [the Issuer] at [●] [and on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>]] and copies may be obtained during normal business hours from the registered office of the Issuer at Hagasmári 3, 201 Kópavogur, Iceland and from the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

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<sup>12</sup> If the Notes constitute “complex” products, pure execution services are not permitted to retail without the need to make the determination of appropriateness. If there are advised sales, a determination of suitability will be necessary.

*[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.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. Issuer: Íslandsbanki hf.
2. (a) Series Number: [ ]  
(b) Tranche Number: [ ]  
(c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about [ ]]] [Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:  
(a) Series: [ ]  
(b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]

*(In the case of Registered Notes this means the minimum integral amount in which transfers can be made)*

*(N.B. Where Bearer Notes 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 Notes in definitive form will be issued with a denomination above €199,000.”)*

*(N.B. In the case of VPS Notes, only one denomination is permitted)*

- (b) Calculation Amount: [ ]

*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*

7. (a) Issue Date: [ ]

- (b) Interest Commencement Date: *[specify/Issue Date/Not Applicable]*  
*(N.B. An Interest Commencement Date will not be relevant for Zero Coupon Notes.)*
8. Maturity Date: *[Fixed rate or reset rate– specify date/ Floating rate– Interest Payment Date falling in or nearest to [specify month and year]]*
9. Interest Basis: *[[ ] per cent. Fixed Rate]*  
*[[ ] month [EURIBOR/NIBOR/STIBOR/ REIBOR/][Compounded Daily SONIA/Compounded Daily SOFR] +/- [ ] per cent. Floating Rate]*  
*[Reset Notes]*  
*[Zero Coupon]*  
*[Inflation Linked]*  
*[Inflation Linked Amortising]*  
*(see paragraph [14][15][16][17][18][19] below)*
10. Redemption/Payment Basis: *[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount]/[Inflation linked redemption in accordance with paragraph [18] below, and Conditions 4.5 and 6.14]/[Inflation linked redemption in accordance with Condition 6.15]*
11. Change of Interest Basis: *[For the period from (and including) the Interest Commencement Date, up to (but excluding) [date], paragraph [14/15/16/17] applies, and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [14/15/16/17] applies]/[Not Applicable]*
12. Put/Call Options: *[Issuer Call]*  
*[Clean-up Redemption Option]*  
*[Not Applicable]*  
*[(see paragraph [20][21][22] below)]*
13. (a) Status of the Notes: *[Senior Preferred/Senior Non-Preferred/Subordinated]*  
*(If Subordinated Notes include:)*
- (i) Redemption upon occurrence of Capital Event: *[Applicable – Condition 6.3 applies/Not Applicable]*
- (ii) Redemption upon occurrence of an MREL Disqualification Event: *[Applicable – Condition 6.4 applies/Not Applicable]*

- (iii) Substitution or [Applicable – Condition 6.11 applies/Applicable –  
variation: Condition 6.11 and Condition 6.12 apply/Not Applicable]

*(If Senior Non-Preferred or Senior Preferred Notes include:)*

- (i) Redemption upon occurrence of an MREL Disqualification Event: [Applicable – Condition 6.4 applies/Not Applicable]
- (ii) Substitution or [Applicable – Condition 6.12 applies/Not Applicable]  
variation:
- (b) Date Board approval for issuance of Notes obtained: [ ]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] [and [ ]] in each year up to and including the Maturity Date  
*(N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s): [[ ] per Calculation Amount]/[Not Applicable]  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]  
*(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (f) 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.)*
15. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s): [ ]
- (d) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent or the relevant Dematerialised Calculation Agent, as the case may be): [ ]
- (e) Screen Rate Determination:
- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [[ ] month [EURIBOR/NIBOR/STIBOR/REIBOR/specify other]/[Compounded Daily SONIA/Compounded Daily SOFR]  
Relevant Time: [ ] [in the Relevant Financial Centre]  
[Relevant Financial Centre: [London/Brussels/Oslo/Stockholm/Reykjavík/specify other]]  
*(For Compounded Daily SONIA, the Relevant Time should be 10:00 a.m. in London and for Compounded Daily SOFR, the Relevant Time should be 3:00 p.m. in New York City)*  
*(N.B. The Relevant Financial Centre will not be relevant for Compounded Daily SONIA and Compounded Daily SOFR)*
  - Interest Determination Date(s): [ ]  
*(Second day on which T2 is open prior to the start of each Interest Period if EURIBOR. For NIBOR, STIBOR and REIBOR, insert second [Oslo/Stockholm/Reykjavík] business day prior to the start of each Interest Period. Insert the day falling “p” London Banking Days prior to the day on which the relevant Interest Period ends (but which by its definition is excluded from the Interest Period), if Compounded Daily SONIA and the day falling “p” United States Government Securities Business Days prior to the day on which the relevant Interest Period ends (but which by its definition is excluded from the Interest Period), if Compounded Daily SOFR)*
  - Relevant Screen Page: [ ]

- Reference Rate Replacement: [Applicable/Not Applicable]  
(N.B. Specify Not Applicable for Compounded Daily SOFR)
  - Observation Method: [Not Applicable/Lag/Shift]  
*(Only relevant for Floating Rate Notes which specify the Reference Rate as being “Compounded Daily SONIA”)*
  - Observation Look-Back Period: [\_\_][London Banking/U.S. Government Securities Business] Day[s]  
*(Only relevant for Floating Rate Notes which specify the Reference Rate as being “Compounded Daily SONIA” or “Compounded Daily SOFR”)*  
  
*(NB: If the Reference Rate is Compounded Daily SONIA, a minimum of 5 London Banking Days should be specified unless otherwise agreed with the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes))*
  - Index Determination: [Applicable/Not Applicable]
  - ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]  
*(Only relevant for Floating Rate Notes which specify the Reference Rate as being “Compounded Daily SOFR”)*
- (f) 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*)]
- (g) Margin(s): [+/-] [ ] per cent. per annum
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) 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)]
16. Reset Note Provisions: [Applicable/Not Applicable]  
  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*



- (a) Initial Rate of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) First Reset Margin: [+/-][ ] per cent. per annum
- (c) Subsequent Reset Margin: [[+/-][ ] per cent. per annum]/[Not Applicable]
- (d) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (e) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[ ] per Calculation Amount]/[Not Applicable]

*(Applicable to Notes in definitive form)*

- (f) Broken Amount(s) up to (but excluding) the First Reset Date: [[ ] per Calculation Amount payable on the Interest Payment Date falling on [ ]]/[Not Applicable]

*(Applicable to Notes in definitive form)*

- (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent or the relevant Dematerialised Calculation Agent, as the case may be): [ ]

- (h) First Reset Date: [ ]
- (i) Second Reset Date: [[ ]]/[Not Applicable]
- (j) Subsequent Reset Date(s): [[ ] [and [ ]]/[Not Applicable]
- (k) Reset Determination Date(s): [ ]  
*(specify in relation to each Reset Date)*

- (l) Relevant Time: [ ]
- (m) Relevant Screen Page: [ ]
- (n) Reset Reference Rate: [Mid-Swap Rate]/[Reference Bond]/[CMT Rate]
- (o) Reset Reference Rate Conversion: [Applicable/Not Applicable]

- (p) Original Reset Reference Rate Payment Basis: [Annual/Semi-annual/Quarterly/Monthly/Not Applicable]

- (q) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- Reference Rate Replacement: [Applicable/Not Applicable]
  - Mid-Swap Floating Leg Maturity: [ ]
  - Initial Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]  
*(If not applicable, delete “Initial Mid-Swap Rate” immediately below)*
  - Initial Mid-Swap Rate: [ ] per cent.
  - Reset Period Maturity Initial Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]  
*(If not applicable, delete “Reset Period Maturity Initial Mid-Swap Rate” immediately below)*
  - Reset Period Maturity Initial Mid-Swap Rate: [ ] per cent.
  - Last Observable Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]
- (r) First Reset Period Fallback Yield: [ ]/[Not Applicable]  
*(N.B. only applicable where the Reset Reference Rate is Reference Bond or CMT Rate)*
- (s) Fallback Relevant Time: [ ]/[Not Applicable]  
*(N.B. only applicable where the Reset Reference Rate is CMT Rate)*
- (t) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (u) 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.)*
17. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum

- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]
18. Inflation Linked Amortising Notes (applicable to CSD Notes only): [Applicable /Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (b) Interest Payment Date(s): The [ ] day in each month/[ [ ] in each year] up to and including the Maturity Date
- (c) Number of Interest Payments in a year: [ ]
- (d) Total number of annuity payments on the relevant Notes: [ ]
- (e) Base Index: [ ], being the value of the CPI on [ ]
- (f) Day Count Fraction: [30/360 or Actual/360 or Actual/Actual (ICMA)]
- (g) Determination Dates: [ ]/Not Applicable
19. Inflation Linked Notes (applicable to CSD Notes only): [Applicable /Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
- (b) Interest Payment Date(s): The [ ] day in each month/[ [ ] in each year] up to and including the Maturity Date
- (c) Base Index: [ ], being the value of the CPI on [ ]
- (d) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (e) Determination Dates: [ ]/Not Applicable

## PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period: Minimum period: [15 days / [ ] days]  
Maximum period: [30 days / [ ] 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 Principal Paying Agent)*
21. Final Redemption Amount: [Each Note will be redeemed at its principal amount/[ ] for the Inflation Linked Amortising Notes]/[In accordance with Condition 6.15 per Calculation Amount]
22. Clean-up Redemption Option: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Clean-up Percentage: [75 per cent. / [ ] per cent.]
- (b) Clean-up Redemption Amount: [[ ] per Calculation Amount / [ ]]
- (c) Notice Period: Minimum period: [15 days / [ ] days]  
Maximum period: [30 days / [ ] 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 Principal Paying Agent)*

- (d) Clean-up Redemption [ ]  
Date(s):
- (The first Clean-up Redemption Date is expected to be the date specified in the notice given to the Noteholders by the Issuer pursuant to Condition 6.6 which can be any date from and including the Issue Date.)*
23. Notice periods for Condition 6.2 Minimum period: [15 days / [ ] days]  
(Redemption for tax reasons):  
Maximum period: [60 days / [ ] 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 Principal Paying Agent)*
24. Notice periods for Condition 6.3 [Applicable/Not Applicable]  
(Redemption upon a Capital Event – Subordinated Notes):
- (Only applicable to Subordinated Notes. If not applicable, delete the remainder of this paragraph)*
- Minimum period: [15 days / [ ] days]  
Maximum period: [60 days / [ ] 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 Principal Paying Agent)*
25. Notice periods for Condition 6.4 [Applicable/Not Applicable]  
(Redemption upon a MREL Disqualification):
- Minimum period: [15 days / [ ] days]  
Maximum period: [60 days / [ ] 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 Principal Paying Agent)*
26. Early Redemption Amount payable on redemption for taxation reasons or  
[[ ] per Calculation Amount / [ ]]

upon the occurrence of a Capital Event or an MREL Disqualification Event (as applicable):

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:

(a) Form:

[Bearer Notes

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]]

*(N.B. The exchange of Temporary Bearer Global Note for Definitive Notes option is not permitted in relation to any issue of Notes where the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.")*

[Permanent Bearer Global Note exchangeable for Definitive Notes only upon an Exchange Event]]

[Registered Notes:

[Global Note registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]]

[VPS Notes]

[CSD Notes]

(b) New Global Note:

[Yes] [No] [Not Applicable]

*(In the case of an issue of Dematerialised Notes, this will be not applicable)*

28. Additional Financial Centre(s):

[Not Applicable/give details]

*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 15(c) relates)*

29. Talons for future Coupons to be attached to Definitive Bearer Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No/Not Applicable]

Signed on behalf of Íslandsbanki hf.:

By:

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official List of Euronext Dublin][Nasdaq Iceland]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [the Regulated Market of Euronext Dublin] with effect from [ ]]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued] [[have been]/[are expected to be]] rated]:

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

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

*[Each of [defined terms] is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended).]*

### 3. [NOTIFICATION]

[The Central Bank of Ireland [has been requested to provide/has provided (*include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues*)] the Financial Supervisory Authority of the Central Bank of Iceland (*Fjármálaeftirlitið*) 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/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 5. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: [General corporate purposes]
- [The Notes constitute [Green/Social/Sustainability Bonds] and an amount equal to the net proceeds of the issue of the Notes will be used to finance or refinance, in whole or in part, Green or Social Loans



(being [Green] [and/or] [Blue] [and/or] [Social] [and/or] [Sustainable] Project[s]), as further described in the Issuer's Sustainable Funding Framework dated January 2024 (as amended or supplemented from time to time) available on the Issuer's website] *[For Green, Social or Sustainability Bonds only, include weblink for relevant framework and any other relevant information]*

*[Specify other]*

(ii) Estimated net proceeds: [ ]

**6. YIELD** (*Fixed Rate Notes and Reset Notes only*)

Indication of yield: [ ]

**7. PERFORMANCE OF FORMULA/CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Inflation Linked Notes and Inflation Linked Amortising Notes only*)

[Not Applicable]

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

The Notes are linked to the performance of the Icelandic Consumer Price Index (CPI) produced based on data from Statistics Iceland

Information about the CPI can be obtained from the website of Statistics of Iceland being [<http://www.statice.is/Statistics/Prices-and-consumption/Indices-overview>]

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]

**8. BENCHMARKS REGULATION** (*Floating Rate Notes and Reset Notes calculated by reference to benchmarks only*)

[Amounts payable under the Notes 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.

[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 Regulation (EU) 2016/1011 by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of Regulation (EU) 2016/1011 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).]

**9. OPERATIONAL INFORMATION**

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) CFI: [[See/[[*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]
- (iv) FISN: [[See/[[*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]
- (If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give *name(s) and number(s)*][Verdipapirsentralen ASA (**Euronext VPS**), Euronext VPS identification number: [ ]][[Nasdaq CSD Iceland] [Verðbréfamiðstöð Íslands CSD] (**CSD**), CSD identification number: [ ]]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) and/or Transfer Agent(s) (if any) or alternative Dematerialised Account Manager (if applicable): [ ]
- (viii) VPS Calculation Agent: [Not Applicable/give *name*]
- (N.B. VPS Notes only)*
- (ix) CSD Calculation Agent: [Íslandsbanki hf./Not Applicable/give *name*]
- (N.B. CSD Notes only)*
- (x) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes, Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] [*include this text for Registered Notes which are to be held under the NSS*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will

depend upon the European Central Bank being satisfied that 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 Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS [*include this text for Registered Notes which are to be held under the NSS*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]

[Not Applicable]

*(In the case of an issue of Dematerialised Notes, this will be Not Applicable)*

## 10. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of Subscription Agreement: [ ]
- (iv) Stabilising Manager(s) (if any): [Not Applicable/*give name(s)*]
- (v) If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- (vi) TEFRA applicability: [TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be*

*specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

**11. THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

## FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes issued under the Programme

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes 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 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) (**MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (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 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][*Include unless the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”*]<sup>13</sup>

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes 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 (**EUWA**); (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 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 (the **UK Prospectus Regulation**). 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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][*Include unless the Pricing Supplement specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”*]<sup>14</sup>

**[MiFID II/ UK MIFIR product governance / target market** – [*appropriate target market legend to be included*]]

**[Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**), 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”]/[“capital markets products other than prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [“Excluded Investment Products”]/[“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 Recommendations on Investment Products).]

[Date]

**ÍSLANDBANKI HF.**

<sup>13</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared in the EEA or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>14</sup> Legend to be included on the front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared in the UK or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

(incorporated with limited liability in Iceland)

**Legal entity identifier (LEI): 549300PZMFIQR79Q0T97**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$2,500,000,000  
Euro Medium Term Note Programme**

## **PART A – CONTRACTUAL TERMS**

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.]<sup>15</sup>

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 3 May 2024 (the **Base Prospectus**) [as supplemented by the supplement[s] dated [ ] [and [ ]]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin> and copies may be obtained during normal business hours from the registered office of the Issuer at Hagasmári 3, 201 Kópavogur, Iceland and from the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus [dated [*original date*] [and the supplement dated [*date*]] which are incorporated by reference in the Base Prospectus].

*[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 Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. Issuer: Íslandsbanki hf.
2. (a) Series Number: [ ]  
(b) Tranche Number: [ ]  
(c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and from a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about [ ]]] [Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:

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<sup>15</sup> Include relevant legend wording here for the [EEA][and][UK] if the “Prohibition of Sales” legend and related selling restriction for that regime are not included/not specified to be “Applicable” (because the Notes do not constitute “packaged” products, or a key information document will be prepared, under that regime).

- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]
- (In the case of Registered Notes this means the minimum integral amount in which transfers can be made)*
- (N.B. Where Bearer Notes 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 Notes in definitive form will be issued with a denomination above €199,000.”)*
- (N.B. In the case of VPS Notes, only one denomination is permitted)*
- (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate or reset rate - Specify date/ Floating Rate - Interest Payment Date falling in or nearest to the [specify month and year]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[ ] month [EURIBOR/NIBOR/STIBOR/ REIBOR]/  
 [Compounded Daily SONIA/Compounded Daily SOFR]  
 +/- [ ] per cent. Floating Rate]  
 [Reset Notes]  
 [Zero Coupon]  
 [Inflation Linked]  
 [Inflation Linked Amortising]  
 [specify other]  
 (see paragraph [14][15][16][17][18][19] below)

10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount]/[Inflation linked redemption in accordance with paragraph [18] below, and Conditions 4.5 and 6.14]/[Inflation linked redemption in accordance with Condition 6.15]
11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) *[date]*, paragraph [14/15/16/17] applies, and for the period from (and including) *[date]*, up to (and including) the Maturity Date, paragraph [14/15/16/17] applies]/[Not Applicable]
12. Put/Call Options: [Issuer Call]  
[Clean-up Redemption Option]  
[Not Applicable]  
[(see paragraph [20][21][22] below)]
13. (a) Status of the Notes: [Senior Preferred/Senior Non-Preferred/Subordinated]  
*(If Subordinated Notes include:)*
- (i) Redemption upon occurrence of a Capital Event: [Applicable – Condition 6.3 applies/Not Applicable]
  - (ii) Redemption upon occurrence of an MREL Disqualification Event: [Applicable – Condition 6.4 applies/Not Applicable]
  - (iii) Substitution or variation: [Applicable – Condition 6.11 applies/Applicable – Condition 6.11 and Condition 6.12 apply/Not Applicable]
- (If Senior Non-Preferred or Senior Preferred Notes include:)*
- (i) Redemption upon occurrence of an MREL Disqualification Event: [Applicable – Condition 6.4 applies/Not Applicable]
  - (ii) Substitution or variation: [Applicable – Condition 6.12 applies/Not Applicable]
- (b) Date Board approval for issuance of Notes obtained: [ ]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)*



**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] [and [ ]] in each year up to and including the Maturity Date  
*(N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s): [[ ] per Calculation Amount]/[Not Applicable]  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]  
*(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/[specify other]
- (f) 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.)*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (c) Additional Business Centre(s): [ ]
- (d) Party responsible for calculating the Rate of Interest and Interest Amount [ ]

(if not the Principal Paying Agent or the relevant Dematerialised Calculation Agent, as the case may be):

(e) Screen Rate Determination:

- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [[ ] month [EURIBOR/NIBOR/STIBOR/REIBOR/specify other]/[Compounded Daily SONIA/Compounded Daily SOFR]  
 Relevant Time: [ ] [in the Relevant Financial Centre]  
 [Relevant Financial Centre: [London/Brussels/Oslo/Stockholm/Reykjavík/specify other]]  
*(For Compounded Daily SONIA, the Relevant Time should be 10:00 a.m. in London and for Compounded Daily SOFR, the Relevant Time should be 3:00 p.m. in New York City)*  
*(N.B. The Relevant Financial Centre will not be relevant for Compounded Daily SONIA and Compounded Daily SOFR)*
- Interest Determination Date(s): [ ]  
*(Second day on which T2 is open prior to the start of each Interest Period if EURIBOR. For NIBOR, STIBOR and REIBOR, insert second [Oslo/Stockholm/Reykjavík] business day prior to the start of each Interest Period. Insert the day falling “p” London Banking Days prior to the day on which the relevant Interest Period ends (but which by its definition is excluded from the Interest Period), if Compounded Daily SONIA and the day falling “p” United States Government Securities Business Days prior to the day on which the relevant Interest Period ends (but which by its definition is excluded from the Interest Period), if Compounded Daily SOFR)*
- Relevant Screen Page: [ ]
- Reference Rate Replacement: [Applicable/Not Applicable]  
*(N.B. Specify Not Applicable for Compounded Daily SOFR)*
- Observation Method: [Not Applicable/Lag/Shift]  
*(Only relevant for Floating Rate Notes which specify the Reference Rate as being “Compounded Daily SONIA”)*
- Observation Look-Back Period: [ ] [London Banking/U.S. Government Securities Business] Day[s]

*(Only relevant for Floating Rate Notes which specify the Reference Rate as being “Compounded Daily SONIA” or “Compounded Daily SOFR”)*

*(NB: If the Reference Rate is Compounded Daily SONIA, a minimum of 5 London Banking Days should be specified unless otherwise agreed with the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes))*

- Index Determination: [Applicable/Not Applicable]
- ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]

*(Only relevant for Floating Rate Notes which specify the Reference Rate as being “Compounded Daily SONIA”)*

- (f) 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*)]
- (g) Margin(s): [+/-] [ ] per cent. per annum
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) 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)]  
*[specify other]*
- (k) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
16. Reset Note Provisions: [Applicable/Not 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

- (b) First Reset Margin: [ +/- ] [ ] per cent. per annum
- (c) Subsequent Reset Margin: [ [ +/- ] [ ] per cent. per annum ] / [ Not Applicable ]
- (d) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (e) Fixed Coupon Amount up to (but excluding) the First Reset Date: [ [ ] per Calculation Amount ] / [ Not Applicable ]  
*((Applicable to Notes in definitive form))*
- (f) Broken Amount(s) up to (but excluding) the First Reset Date: [ [ ] per Calculation Amount payable on the Interest Payment Date falling on [ ] ] / [ Not Applicable ]  
*((Applicable to Notes in definitive form))*
- (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent or the relevant Dematerialised Calculation Agent, as the case may be): [ ]
- (h) First Reset Date: [ ]
- (i) Second Reset Date: [ [ ] ] / [ Not Applicable ]
- (j) Subsequent Reset Date(s): [ [ ] ] [ and [ ] ] / [ Not Applicable ]
- (k) Reset Determination Date(s): [ ]  
*(specify in relation to each Reset Date)*
- (l) Relevant Time: [ ]
- (m) Relevant Screen Page: [ ]
- (n) Reset Reference Rate: [ Mid-Swap Rate ] / [ Reference Bond ] / [ CMT Rate ]
- (o) Reset Reference Rate Conversion: [ Applicable / Not Applicable ]
- (p) Original Reset Reference Rate Payment Basis: [ Annual / Semi-annual / Quarterly / Monthly / Not Applicable ]
- (q) Mid-Swap Rate: [ Single Mid-Swap Rate / Mean Mid-Swap Rate / Not Applicable ]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- Reference Rate Replacement: [Applicable/Not Applicable]
  - Mid-Swap Floating Leg Maturity: [ ]
  - Initial Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]  
*(If not applicable, delete "Initial Mid-Swap Rate" immediately below)*
  - Initial Mid-Swap Rate: [ ] per cent.
  - Reset Period Maturity Initial Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]  
*(If not applicable, delete "Reset Period Maturity Initial Mid-Swap Rate" immediately below)*
  - Reset Period Maturity Initial Mid-Swap Rate: [ ] per cent.
  - Last Observable Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]
- (r) First Reset Period Fallback Yield: [ ]/[Not Applicable]  
*(N.B. only applicable where the Reset Reference Rate is Reference Bond or CMT Rate)*
- (s) Fallback Relevant Time: [ ]/[Not Applicable]  
*(N.B. only applicable where the Reset Reference Rate is CMT Rate)*
- (t) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (u) 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 new issue date or maturity date in the case of a long or short first or last coupon.)*
- (v) Any other terms relating to the method of calculating interest on Reset Notes, if different from those set out in the Conditions: [ ]
17. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [ ] per cent. per annum

- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]  
[specify other]
18. Inflation Linked Amortising Notes (applicable to CSD Notes only): [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)]] in arrear]
- (b) Interest Payment Date(s): The [ ] day in each month]/[[ ] in each year] up to and including the Maturity Date
- (c) Number of Interest Payments in a year: [ ]
- (d) Total number of annuity payments on the relevant Notes: [ ]
- (e) Base Index: [ ], being the value of the CPI on [ ]
- (f) Day Count Fraction: [30/360 or Actual/360 or Actual/Actual (ICMA)]
- (g) Determination Dates: [ ]/Not Applicable
19. Inflation Linked Notes (applicable to CSD Notes only): [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)]] in arrear]
- (b) Interest Payment Date(s): The [ ] day in each month]/[[ ] in each year] up to and including the Maturity Date
- (c) Base Index: [ ], being the value of the CPI on [ ]
- (d) Day Count Fraction: [30/360 or Actual/Actual (ICMA)]
- (e) Determination Dates: [ ]/Not Applicable

#### **PROVISIONS RELATING TO REDEMPTION**

20. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice period: Minimum period: [15 days / [ ] days]  
Maximum period: [30 days / [ ] 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 Principal Paying Agent)*
21. Final Redemption Amount: [Each Note will be redeemed at its principal amount/[ ] for the Inflation Linked Amortising Notes]/[In accordance with Condition 6.15 per Calculation Amount/specify other/see Appendix]
22. Clean-up Redemption Option: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Clean-up Percentage: [75 per cent. / [ ] per cent.]
- (b) Clean-up Redemption Amount: [[ ] per Calculation Amount / [ ]]
- (c) Notice Period: Minimum period: [15 days / [ ] days]  
Maximum period: [30 days / [ ] 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 Principal Paying Agent)*

- (d) Clean-up Redemption [ ]  
Date(s):  
*(The first Clean-up Redemption Date is expected to be the date specified in the notice given to the Noteholders by the Issuer pursuant to Condition 6.6 which can be any date from and including the Issue Date.)*
23. Notice periods for Condition 6.2 Minimum period: [15 days / [ ] days]  
*(Redemption for tax reasons):*  
Maximum period: [60 days / [ ] 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 Principal Paying Agent)*
24. Notice periods for Condition 6.3 [Applicable/Not Applicable]  
*(Redemption upon a Capital Event – Subordinated Notes):*  
*(Only applicable to Subordinated Notes. If not applicable, delete the remainder of this paragraph)*  
Minimum period: [15 days / [ ] days]  
Maximum period: [60 days / [ ] 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 Principal Paying Agent)*
25. Notice periods for Condition 6.4 [Applicable/Not Applicable]  
*(Redemption upon a MREL Disqualification):*  
Minimum period: [15 days / [ ] days]  
Maximum period: [60 days / [ ] 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 Principal Paying Agent)*

26. Early Redemption Amount payable on redemption for taxation reasons or upon the occurrence of a Capital Event or an MREL Disqualification Event (as applicable):  per Calculation Amount/*specify other/see Appendix*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:

(a) Form:  Bearer Notes

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]]

*(N.B. The exchange of Temporary Bearer Global Note for Definitive Notes option is not permitted in relation to any issue of Notes where the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.")*

[Permanent Bearer Global Note exchangeable for Definitive Notes only upon an Exchange Event]]

[Registered Notes:

[Global Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]]

[VPS Notes]

[CSD Notes]

(b) New Global Note:  [Yes]  [No]  [Not Applicable]

*(In the case of an issue of Dematerialised Notes this will be Not Applicable)*

28. Additional Financial Centre(s):  [Not Applicable/*give details*]  
*(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 15(c) relates)*

29. Talons for future Coupons to be attached to Definitive Bearer Notes:  [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form,

more than 27 coupon payments are still to be made/No/Not  
Applicable]

30. Other terms or special conditions: [ ]

Signed on behalf of Íslandsbanki hf.:

By:

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: /None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on *[specify market – note this should not be a regulated market]* with effect from /Not Applicable]

### 2. OPERATIONAL INFORMATION

- (i) ISIN:
- (ii) Common Code:
- (iii) CFI: [[See/[[*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]
- (iv) FISN: [[See/[[*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]
- (If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)][Verdipapirsentralen ASA (**Euronext VPS**), Euronext VPS identification number: ][Nasdaq CSD Iceland] [Verðbréfamiðstöð Íslands CSD] (**CSD**), CSD identification number:
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) and/or Transfer Agent(s) (if any) or alternative Dematerialised Account Manager (if applicable):
- (viii) VPS Calculation Agent: [Not Applicable/give name]
- (N.B. VPS Notes only)*
- (ix) CSD Calculation Agent: [Íslandsbanki hf./Not Applicable/give name]

*(N.B. CSD Notes only)*

- (x) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] [*include this text for Registered Notes which are to be held under the NSS*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS [*include this text for Registered Notes which are to be held under the NSS*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]

[Not Applicable]

*(In the case of an issue of Dematerialised Notes, this will be Not Applicable)*

### **3. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

- (i) Reasons for the offer: [General corporate purposes]
- [The Notes constitute [Green/Social/Sustainability Bonds] and an amount equal to the net proceeds of the issue of the Notes will be used to finance or refinance, in whole or in part, Green or Social Loans (being [Green] [and/or] [Blue] [and/or] [Social] [and/or] [Sustainable] Project[s]), as further described in the Issuer’s Sustainable Funding Framework dated January 2024 (as amended or supplemented from time to time) available on the Issuer’s website] [*For Green, Social or Sustainability Bonds only, include weblink for relevant framework and any other relevant information*]

[Specify other]

**4. PERFORMANCE OF FORMULA/CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Inflation Linked Notes and Inflation Linked Amortising Notes only*)

[Not Applicable]

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

The Notes are linked to the performance of the Icelandic Consumer Price Index (CPI) produced based on data from Statistics Iceland

Information about the CPI can be obtained from the website of Statistics of Iceland being [<http://www.statice.is/Statistics/Prices-and-consumption/Indices-overview>]

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]

**5. DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Date of Subscription Agreement: [ ]
- (iv) Stabilising Manager(s) (if any): [Not Applicable/*give name(s)*]
- (v) If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- (vi) TEFRA applicability: [TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

## TERMS AND CONDITIONS OF THE NOTES

*The following (other than the paragraphs in italics) are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, 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 Note will have endorsed thereon or attached thereto such Terms and Conditions. The following are also the Terms and Conditions of the Notes which will be applicable to each Dematerialised Note. Dematerialised Notes will not be evidenced by any physical note or document of title other than statements of account made by the Relevant Dematerialised Clearing System. The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

This Note is one of a Series (as defined below) of Notes issued by Íslandsbanki hf. (the **Issuer**) pursuant to the Agency Agreement and, if applicable, the VPS Account Manager Agreement (each as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form;
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form); and
- (e) any Notes issued in uncertificated and dematerialised book entry form and cleared through (A) the Norwegian Central Securities Depository, the *Verdipapirsentralen ASA* (**Euronext VPS**) (**VPS Notes**) or (B) the Nasdaq CSD Iceland or Verðbréfamiðstöð Íslands CSD (each a **CSD**) (**CSD Notes**, and together with VPS Notes, **Dematerialised Notes**).

References herein to **Relevant Dematerialised Clearing System** shall mean:

- (a) in the case of VPS Notes, Euronext VPS; and
- (b) in the case of CSD Notes, the relevant CSD specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

In the case of Bearer Notes, references to Notes shall be deemed to include any Coupons.

In the case of Notes other than Dematerialised Notes, the Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 3 May 2024 and made between the Issuer, Citibank, N.A., London Branch in its capacities as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent, and, together with any substitute or additional paying agents appointed in accordance with the Agency Agreement, the **Paying Agents**) and Citibank Europe Plc in its capacities as registrar (the **Registrar**, which expression shall include any successor registrar) and as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

In the case of VPS Notes, the Notes have the benefit of a VPS Account Manager Agreement (such VPS Account Manager Agreement as amended and/or supplemented and/or restated from time to time, the **VPS**

**Account Manager Agreement**) dated 8 May 2015 and made between the Issuer and DNB Bank ASA (the **VPS Account Manager**, which expression shall include any successor account manager in relation to VPS Notes) and the Agency Agreement to the extent specified therein.

In the case of CSD Notes, the initial CSD account manager is the Issuer (the **CSD Account Manager**, which expression shall include any successor account manager in relation to CSD Notes) and the CSD Notes will have the benefit of the Agency Agreement to the extent specified therein.

References herein to the **relevant Dematerialised Account Manager** shall mean:

- (a) in the case of VPS Notes, the VPS Account Manager; and
- (b) in the case of CSD Notes, the CSD Account Manager.

References herein to the **relevant Dematerialised Calculation Agent** shall mean:

- (a) the case of VPS Notes, the VPS Calculation Agent specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement (or any successor calculation agent in relation to VPS Notes); and
- (b) in the case of CSD Notes, the CSD Calculation Agent specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement (or any successor calculation agent in relation to CSD Notes).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms (as defined below) or (in the case of Exempt Notes) Pricing Supplement (as defined below), 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. Registered Notes and Global Notes do not have Coupons or Talons attached on issue. Any reference herein to Coupons, Talons or related expressions shall not apply to Dematerialised Notes. In the case of Definitive Bearer Notes only, any reference herein to Notes shall, unless the context otherwise requires, be deemed to include a reference to Coupons.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes, (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note or in relation to any Dematerialised Notes, be construed as provided below. 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 Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) 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.

In the case of Notes other than Dematerialised Notes, the Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 29 April 2022 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, the VPS Account Manager Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and the other Transfer Agents (such Agents and the Registrar being together referred to as the **Agents**) and (in the case of the VPS Account Manager Agreement only) at the specified office of the VPS Account Manager.

References herein to **Exempt Notes** are to Notes for which no prospectus is required to be published under Regulation (EU) 2017/1129 (for the purposes of these Terms and Conditions of the Notes (the **Conditions**), the **Prospectus Regulation**).

The final terms for this Note (or the relevant provisions thereof) are set out in (i) in the case of Notes other than Exempt Notes, Part A of a final terms document (**Final Terms**) attached to, endorsed on or otherwise deemed to apply to this Note which completes the Conditions or (ii) in the case of Exempt Notes, Part A of a pricing supplement (**Pricing Supplement**) attached to, endorsed on or otherwise deemed to apply to this Note which supplements, amends, modifies and replaces the Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References herein to the **applicable Final Terms** or (in the case of Exempt Notes) **applicable Pricing Supplement** are accordingly to Part A of the Final Terms or Pricing Supplement, as the case may be, (or the relevant provisions thereof) relating to the Notes.

Copies of the Final Terms will, in the case of Notes admitted to trading on the regulated market of Euronext Dublin, be published on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>. If the Notes are to be admitted to trading on any other regulated market in the European Economic Area, the applicable Final Terms will be published in accordance with the rules and regulations of the relevant listing authority or stock exchange and otherwise in accordance with the Prospectus Regulation.

Copies of the applicable Final Terms are also available for viewing at the registered office of the Issuer and of the Principal Paying Agent and copies may be obtained from those offices.

In the case of Exempt Notes, copies of the applicable Pricing Supplement may be obtained from the registered office of the Issuer and the offices of the Principal Paying Agent only by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity.

The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the VPS Account Manager Agreement, the Deed of Covenant and the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement and, in the case of VPS Notes, the VPS Account Manager Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will prevail.

## **1. FORM, DENOMINATION AND TITLE**

### **1.1 Form and denomination**

The Notes are either (i) in bearer form, (ii) in registered form as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and, in the case of definitive Notes, serially numbered or (iii) Dematerialised Notes, in each case in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes or Dematerialised Notes. Registered Notes may not be exchanged for Bearer Notes or Dematerialised Notes. Dematerialised Notes may not be exchanged for Bearer Notes or Registered Notes. VPS Notes will not be exchangeable for CSD Notes and *vice versa*. CSD Notes cleared through a particular CSD will not be exchangeable for CSD Notes cleared through the other CSD and *vice versa*.



The Notes other than CSD Notes may be Fixed Rate Notes, Floating Rate Notes, Reset Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. The CSD Notes may be Fixed Rate Notes, Floating Rate Notes, Reset Notes, Zero Coupon Notes, Inflation Linked Notes or Inflation Linked Amortising Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. The CSD Notes may also be Inflation Linked Notes or Inflation Linked Amortising Notes depending on the Redemption/Payment Basis shown in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

The Notes may be Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, depending upon the Status shown in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Dematerialised Notes will not be evidenced by any physical note or any other document of title other than statements of accounts made by the Relevant Dematerialised Clearing System.

## **1.2 Title to Notes other than Dematerialised Notes**

This Condition 1.2 only applies to Notes other than Dematerialised Notes.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note 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 but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes 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 and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement or as may otherwise be approved by the Issuer and the Principal Paying Agent.

### **1.3 Title to Dematerialised Notes**

This Condition 1.3 only applies to Dematerialised Notes.

The holder of a Dematerialised Note will be the person evidenced (including any nominee) as such by a book entry in the records of the Relevant Dematerialised Clearing System. The person so evidenced as a holder of Dematerialised Notes shall be treated as the holder of such Notes for all purposes and the expressions **Noteholder**, **holder of Notes** and **holder of Dematerialised Notes** and related expressions shall be construed accordingly.

Title to the Dematerialised Notes will pass by registration in the register between the direct or indirect accountholders at the Relevant Dematerialised Clearing System in accordance with the rules and procedures of the Relevant Dematerialised Clearing System.

Dematerialised Notes will be transferable only in accordance with the rules and procedures for the time being of the Relevant Dematerialised Clearing System. References to the Relevant Dematerialised Clearing System shall, wherever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement or as may be otherwise approved by the Issuer, the Principal Paying Agent and the relevant Dematerialised Account Manager.

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, 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 Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

### **2.2 Transfers of Registered Notes in definitive form**

Subject as provided in Conditions 2.3 and 2.5 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 6 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, 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 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 to the transferee or (at the risk of the transferee)

send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### **2.3 Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### **2.4 Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

### **2.5 Exchanges and transfers of Registered Notes generally**

Holders of Registered Notes in definitive form may exchange such Notes for interests in a Registered Global Note of the same type at any time.

## **3. STATUS OF THE NOTES**

### **3.1 Status of the Senior Preferred Notes**

This Condition 3.1 applies only to Senior Preferred Notes and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

- (a) The Notes are direct, unconditional, unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves.
- (b) In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) 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 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 Notes**

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

- (a) The Notes are direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves.
- (b) In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in

respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) 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 Notes); and
- (iv) junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Senior Non-Preferred Liabilities of the Issuer.

### **3.3 Status of the Subordinated Notes**

This Condition 3.3 applies only to Subordinated Notes and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

- (a) The Notes constitute subordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves. The Notes are subordinated as described in Condition 3.3(b).
- (b) In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) shall, subject to mandatory provisions of Icelandic law including but not limited to any Icelandic implementation of Article 48(7) of the BRRD, 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 Set-Off**

Subject to applicable law, claims in respect of any Notes held by a Noteholder may not be set-off, or be the subject of a counterclaim or netting, by the relevant Noteholder against or in respect of any of its obligations to the Issuer or any other person and each Noteholder waives, and shall be treated for all purposes as if it had waived, any right that it might otherwise have to set-off, or to raise by way of counterclaim or netting, any of its claims in respect of any Notes, against or in respect of any of its obligations to the Issuer or any other person. If, notwithstanding the preceding sentence, any Noteholder receives or recovers any sum or the benefit of any sum in respect of any Note by virtue of such set-off, counterclaim or netting, 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 winding-up of the Issuer, to the liquidator of the Issuer, to be held on trust for the Senior Creditors.

### **3.5 Definitions**

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

**Applicable MREL Regulations** means, at any time, the laws, regulations, requirements, guidelines and policies then in effect in Iceland giving effect to any MREL Requirement or any successor regulations then applicable to the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Notes;

**MREL Requirement** means the minimum requirement for own funds and eligible liabilities which is or, as the case may be, will be applicable to the Issuer 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 issue by the 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 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 Notes at the relevant time) (i) (in respect of the Subordinated Notes) the FSA and (ii) (in respect of the Senior Preferred Notes and the Senior Non-Preferred Notes) the Resolution Authority of the Central Bank of Iceland and/or such other

authority tasked with matters relating to the qualification of securities of the Issuer 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 (including, without limitation, any Senior Non-Preferred Liabilities 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;

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

**Senior Non-Preferred Ranking** means the ranking for senior non-preferred notes or senior non-preferred debt instruments as described in Article 85 (a) of Act No. 70/2020 on Recovery and Resolution of Credit Institutions and Investment Firms, as amended by the Hierarchy of Claims Act, that expressly provides that, upon the insolvency of a financial institution regulated under Act No. 70/2020 on Recovery and Resolution of Credit Institutions and Investment Firms, such senior non-preferred notes or senior non-preferred debt instruments will rank below other unsubordinated and unsecured liabilities with higher priority ranking of the financial institution; and in addition, with respect to Senior Non-Preferred Liabilities that constitute Senior Non-Preferred Notes, the ranking set forth in Condition 3.2; and

**Tier 2 Capital** means Tier 2 capital as described in Article 84(c) of the Act on Financial Undertakings and secondary legislation adopted on the basis of that act, as amended or replaced.

## 4. INTEREST

### 4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note 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 arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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 or (in the case of Exempt Notes) Pricing Supplement, 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 Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note or which are Dematerialised Notes, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note or which are Dematerialised Notes; or
- (b) in the case of Fixed Rate Notes 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 Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note 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 4.1, Condition 4.5 or Condition 4.6, as applicable:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement:
  - (A) in the case of Notes 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 (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) 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
    - (2) 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
- (ii) if “30/360” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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.

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.

## 4.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

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

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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 or (in the case of Exempt Notes) Pricing Supplement 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** (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date (or, if the Notes become payable on a date other than an Interest Payment Date, the relevant payment date).

If a Business Day Convention is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement 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 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (b) below shall apply *mutatis mutandis* or (ii) 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 (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) 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:

- (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 any Additional Business Centre (other than T2) specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;



- (b) if T2 is specified as an Additional Business Centre in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system (**T2**) is open; and
- (c) either (1) 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 (2) in relation to any sum payable in euro, a day on which T2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

- (i) Floating Rate Notes not referencing Compounded Daily SONIA or Compounded Daily SOFR

Where the Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement is not Compounded Daily SONIA or Compounded Daily SOFR, 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 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 the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes). 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 subclause (A) above, no offered quotation appears or, in the case of subclause (B) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) shall request each of the Reference Banks to provide the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes).

If on any Interest Determination Date one only or none of the Reference Banks provides the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time 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 Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 the Relevant Time 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 Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) 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).

Unless otherwise stated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

For the purposes of this Condition 4.2(b)(i):

**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; and, in the case of a determination of a Reference Rate that is not EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the inter-bank market of the Relevant Financial Centre, in each case selected by the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes).

**Reference Rate** shall mean (i) the Eurozone interbank offered rate (**EURIBOR**), (ii) the Norwegian interbank offered rate (**NIBOR**), (iii) the Stockholm interbank offered rate

(**STIBOR**), or (iv) the Reykjavík interbank offered rate (**REIBOR**), in each case for the relevant period, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, subject as provided in Condition 4.3.

**Relevant Financial Centre** shall mean (i) Brussels, in the case of a determination of EURIBOR, (ii) Oslo, in the case of a determination of NIBOR, (iii) Stockholm, in the case of a determination of STIBOR, or (iv) Reykjavík, in the case of a determination of REIBOR, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

**Relevant Screen Page** shall mean the screen page specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of (i) displaying rates or prices comparable to the Reference Rate or, (ii) displaying rates or yields (as the case may be) for the relevant Reset Reference Rate, as the case may be.

**Relevant Time** shall mean the time specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

(ii) Floating Rate Notes referencing Compounded Daily SONIA

- (A) Where the Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement is specified as being Compounded Daily SONIA, the Rate of Interest with respect to each Interest Period will, subject as provided below, be Compounded Daily SONIA for such Interest Period plus or minus the Margin (if any) as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, all as determined and calculated by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes).

**Compounded Daily SONIA** means with respect to an Interest Period:

- (I) if Index Determination is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the rate determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) on the relevant Interest Determination Date in accordance with the following formula (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

$$\left( \frac{\text{SONIA Compounded Index}_y}{\text{SONIA Compounded Index}_x} - 1 \right) \times \frac{365}{d}$$

where:

**SONIA Compounded Index<sub>x</sub>** is the SONIA Compounded Index for the day falling *p* London Banking Days prior to the first day of the relevant Interest Period;

**SONIA Compounded Index<sub>y</sub>** is the SONIA Compounded Index for the day falling *p* London Banking Days prior to the last day of such Interest Period (but which by its definition is excluded from such Interest Period); and

**d** is the number of calendar days in the relevant SONIA Observation Period;

*provided* that if the SONIA Compounded Index required to determine SONIA Compounded Index<sub>x</sub> or SONIA Compounded Index<sub>y</sub> does not appear on the Bank of England's Interactive Statistical Database, or any successor source, at the Relevant

Time on the relevant London Banking Day (or by 5:00 p.m. London time or such later time falling one hour after the customary or scheduled time for publication of the SONIA Compounded Index in accordance with the then-prevailing operational procedures of the administrator of the SONIA Reference Rate or relevant authorised distributors, as the case may be), Compounded Daily SONIA for such Interest Period and each subsequent Interest Period shall be Compounded Daily SONIA determined in accordance with paragraph (II) below and for these purposes the “Observation Method” shall be deemed to be Shift; or

- (II) if either (x) Index Determination is specified as being not applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, or (y) this Condition 4.2(b)(ii)(A)(II) applies to such Interest Period pursuant to the proviso in Condition 4.2(b)(ii)(A)(I) above, the rate determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) on the relevant Interest Determination Date in accordance with the following formula (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

**d** is the number of calendar days in (where in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement “Lag” is specified as the Observation Method) the relevant Interest Period or (where in the applicable Final Terms “Shift” is specified as the Observation Method) the SONIA Observation Period;

**d<sub>o</sub>** is the number of London Banking Days in (where in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement “Lag” is specified as the Observation Method) the relevant Interest Period or (where in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement “Shift” is specified as the Observation Method) the SONIA Observation Period;

**i** is a series of whole numbers from one to **d<sub>o</sub>**, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in (where in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement “Lag” is specified as the Observation Method) the relevant Interest Period or (where in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement “Shift” is specified as the Observation Method) the relevant SONIA Observation Period;

**n<sub>i</sub>**, for any London Banking Day *i*, is the number of calendar days from (and including) such London Banking Day *i* up to (but excluding) the following London Banking Day; and

**SONIA<sub>i-pLBD</sub>** means:

- (a) where in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement “Lag” is specified as the Observation Method, in respect of any London Banking Day *i* falling in the relevant Interest Period, the SONIA Reference Rate for the London Banking Day falling *p* London Banking Days prior to such day; or

- (b) where in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement “Shift” is specified as the Observation Method,  $SONIA_{i-pLBD}$  shall be replaced in the above formula with  $SONIA_i$ , where  $SONIA_i$  means, in respect of any London Banking Day  $i$  falling in the relevant SONIA Observation Period, the SONIA Reference Rate for such day.
- (B) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:
- (I) determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or the Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, the Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period); or
- (II) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (and applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period).
- (C) For the purposes of this Condition 4.2(b)(ii):

**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;

**Observation Look-Back Period** is as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**p** means the number of London Banking Days included in the Observation Look-Back Period, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, which shall not be less than 5 London Banking Days unless otherwise agreed with the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes);

**SONIA Compounded Index** means, in respect of any London Banking Day, the compounded daily SONIA rate for such London Banking Day as published by the Bank of England (or a successor administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source, at the Relevant Time on such London Banking Day;

**SONIA Observation Period** means the period from (and including) the date falling  $p$  London Banking Days prior to the first day of the relevant Interest Period to (but excluding) the date falling  $p$  London Banking 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);

**SONIA Reference Rate** means, in respect of any London Banking Day, the daily Sterling Overnight Index Average (**SONIA**) rate for such London Banking 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) on the London Banking Day immediately following such London Banking Day, *provided* that if, in respect of any London Banking Day, the applicable SONIA Reference Rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then (unless the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation

Agent (in the case of Dematerialised Notes), as applicable, has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 4.3 below, if applicable) the SONIA Reference Rate in respect of such London Banking Day shall be:

- (I) the Bank of England’s Bank Rate (the **Bank Rate**) prevailing at 5.00 p.m. (or, if earlier, close of business) on such London Banking Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking 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 the lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or
- (II) if such Bank Rate is not available, then the SONIA Reference Rate in respect of such London Banking Day shall be the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

(iii) Floating Rate Notes referencing Compounded Daily SOFR

- (A) Where the Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement is specified as being Compounded Daily SOFR, the Rate of Interest for each Interest Period will, subject as provided below, be Compounded Daily SOFR for such Interest Period plus or minus (as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) the Margin (if any), all as determined and calculated by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes).

**Compounded Daily SOFR** means, with respect to an Interest Period,

- (I) if Index Determination is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the rate determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) on the relevant Interest Determination Date in accordance with the following formula (rounded if necessary to the seventh decimal place, with 0.0000005 being rounded upwards):

$$\left( \frac{\text{SOFR Index}_{\text{End}}}{\text{SOFR Index}_{\text{Start}}} - 1 \right) \times \left( \frac{360}{d} \right)$$

where:

**SOFR Index<sub>Start</sub>** is the SOFR Index value for the day that is “p” United States Government Securities Business Days preceding the first day of the relevant Interest Period;

**SOFR Index<sub>End</sub>** is the SOFR Index value for the day that is “p” United States Government Securities Business Days preceding the last day of the relevant Interest Period; and

**d** is the number of calendar days in the relevant SOFR Observation Period;

*provided that*, if the SOFR Index value required to determine SOFR Index<sub>Start</sub> or SOFR Index<sub>End</sub> does not appear on the SOFR Administrator’s Website at the Relevant Time

on the relevant United States Government Securities Business Day (or by 3:00 p.m. New York City time on the immediately following United States Government Securities Business Day or such later time falling one hour after the customary or scheduled time for publication of the SOFR Index value in accordance with the then-prevailing operational procedures of the administrator of SOFR Index), “Compounded Daily SOFR” for such Interest Period and each Interest Period thereafter will be determined in accordance with Condition 4.2(b)(iii)(A)(II) below; or

- (II) if either (x) Index Determination is specified as being not applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, or (y) this Condition 4.2(b)(iii)(A)(II) applies to such Interest Period pursuant to the proviso in Condition 4.2(b)(iii)(A)(I) above, the rate determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) on the relevant Interest Determination Date in accordance with the following formula (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards):

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

**d** is the number of calendar days in the relevant SOFR Observation Period;

**d<sub>0</sub>** is the number of United States Government Securities Business Days in the relevant SOFR Observation Period;

**i** is a series of whole numbers from one to “d<sub>0</sub>”, each representing the relevant United States Government Securities Business Days in chronological order from, and including, the first United States Government Securities Business Day in the relevant SOFR Observation Period;

**n<sub>i</sub>**, for any United States Government Securities Business Day “i”, in the relevant SOFR Observation Period, is the number of calendar days from (and including) such United States Government Securities Business Day “i” up to but excluding the following United States Government Securities Business Day (“i+1”); and

**SOFR<sub>i</sub>** means, in respect of any United States Government Securities Business Day “i” falling in the relevant SOFR Observation Period, the SOFR Reference Rate for such United States Government Securities Business Day.

- (B) If a SOFR Benchmark Replacement is required at any time to be used pursuant to paragraph (3) of the definition of SOFR Reference Rate, then in connection with determining the SOFR Benchmark Replacement:

- (I) the SOFR Benchmark Replacement Agent shall also determine the method for determining the rate described in sub-paragraph (a) of paragraph (1), (2) or (3) of the definition of SOFR Benchmark Replacement, as applicable (including (i) the page, section or other part of a particular information service on or source from which such rate appears or is obtained (the **Relevant Source**), (ii) the time at which such rate appears on, or is obtained from, the Relevant Source (the **Alternative Relevant Time**), (iii) the day on which such rate will appear on, or is obtained from, the Relevant Source in respect of each United States Government Securities Business

Day (the **Relevant Date**), and (iv) any alternative method for determining such rate if is unavailable at the Alternative Relevant Time on the applicable Relevant Date), which method shall be consistent with industry-accepted practices for such rate;

- (II) from (and including) the Affected Day, references to the Relevant Time shall be deemed to be references to the Alternative Relevant Time;
- (III) the SOFR Benchmark Replacement Agent may in its discretion specify other technical, administrative or operational changes to the Conditions which it determines are reasonably necessary in order to follow market practice in relation to the relevant SOFR Benchmark Replacement and/or any SOFR Benchmark Replacement Adjustment (as applicable) including, but not limited to: (i) Business Day, Compounded Daily SOFR, Day Count Fraction, Interest Determination Date, Interest Payment Date, Interest Period, SOFR Observation Period, SOFR Reference Rate or United States Government Securities Business Day, (ii) timing and frequency of determining rates and making payments of interest, (iii) rounding of amounts or tenors, or (iv) any other technical changes to any other provision described in this Condition 4.2(b), are necessary in order to implement the SOFR Benchmark Replacement (including any alternative method described in subparagraph (iv) of paragraph (I) above) as the SOFR Benchmark in a manner substantially consistent with market practice (or, if the SOFR Benchmark Replacement Agent decides that adoption of any portion of such market practice is not administratively feasible or if the SOFR Benchmark Replacement Agent determines that no market practice for use of the SOFR Benchmark Replacement exists, in such other manner as the SOFR Benchmark Replacement Agent, as the case may be, determines is reasonably necessary), which changes shall apply to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 4.2(b)(iii)(B)); and
- (IV) promptly following the determination of (x) any SOFR Benchmark Replacement and (y) if applicable, the SOFR Benchmark Replacement Adjustment, the Issuer shall give notice thereof and of any changes (and the effective date thereof) pursuant to Condition 4.2(b)(iii)(B)(III) above to (as applicable) the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Account Manager (in the case of Dematerialised Notes) and the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes), and each stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13.

No consent of the Noteholders shall be required in connection with effecting the relevant SOFR Benchmark Replacement described in this Condition 4.2(b)(iii)(B) or such other relevant changes pursuant to Condition 4.2(b)(iii)(B)(III), including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Agency Agreement and/or (if applicable) the VPS Account Manager Agreement (if required).

- (C) For the purposes of this Condition 4.2(b)(iii):

**ISDA Definitions** means (i) if “2006 ISDA Definitions” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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 Notes; or (ii) if “2021 ISDA Definitions” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes;



**ISDA Fallback Adjustment** means, with respect to any ISDA Fallback Rate, the spread adjustment, which may be a positive or negative value or zero, that would be applied to such ISDA Fallback Rate in the case of derivative transactions referencing the ISDA Definitions that will be effective upon the occurrence of an index cessation event with respect to the then-current SOFR Benchmark for the applicable tenor;

**ISDA Fallback Rate** means, with respect to the then-current SOFR Benchmark, the rate that would apply for derivative transactions referencing the ISDA Definitions that will be effective upon the occurrence of an index cessation date with respect to the then-current SOFR Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**Observation Look-Back Period** is as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**p** means the number of United States Government Securities Business Days included in the Observation Look-Back Period, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**Relevant Governmental Body** means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York or any successor thereto;

**SOFR** means, in respect of any United States Government Securities Business Day, the daily secured overnight financing rate for such United States Government Securities Business Day as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate);

**SOFR Administrator** means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

**SOFR Administrator's Website** means the website of the Federal Reserve Bank of New York, or any successor source;

**SOFR Benchmark** means SOFR, provided that if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred with respect to SOFR or such other then-current SOFR Benchmark, then "SOFR Benchmark" means the applicable SOFR Benchmark Replacement;

**SOFR Benchmark Replacement** means the first alternative set forth in the order presented below that can be determined by the SOFR Benchmark Replacement Agent as of the SOFR Benchmark Replacement Date with respect to the then-current SOFR Benchmark:

- (1) 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 SOFR Benchmark and (b) the SOFR Benchmark Replacement Adjustment;
- (2) the sum of (a) the ISDA Fallback Rate and (b) the SOFR Benchmark Replacement Adjustment; or
- (3) the sum of: (a) the alternate rate of interest that has been selected by the SOFR Benchmark Replacement Agent as the replacement for the then-current Benchmark, provided that, (i) if the SOFR Benchmark Replacement Agent determines that there is an industry-accepted replacement rate of interest for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time, it shall select such industry-accepted rate, and (ii) otherwise, it shall select such rate of interest that it has

determined is most comparable to the then-current Benchmark, and (b) the SOFR Benchmark Replacement Adjustment;

**SOFR Benchmark Replacement Adjustment** means the first alternative set forth in the order below that can be determined by the SOFR Benchmark Replacement Agent, if any, as of the Benchmark Replacement Date with respect to the then-current Benchmark:

- (1) 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 SOFR Benchmark Replacement;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (3) the spread adjustment, which may be a positive or negative value or zero, that has been selected by the SOFR Benchmark Replacement Agent to be applied to the applicable Unadjusted SOFR Benchmark Replacement in order to reduce or eliminate, to the extent reasonably practicable under the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the then-current SOFR Benchmark with such Unadjusted SOFR Benchmark Replacement for the purposes of determining the SOFR Reference Rate, which spread adjustment shall be consistent with any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, applied to such Unadjusted SOFR Benchmark Replacement where it has replaced the then-current SOFR Benchmark for U.S. dollar denominated floating rate notes at such time;

**SOFR Benchmark Replacement Agent** means any person that has been appointed by the Issuer to make the calculations and determinations to be made by the SOFR Benchmark Replacement Agent described herein that may be made by either the SOFR Benchmark Replacement Agent or the Issuer, so long as such person is a leading bank or other financial institution or a person with appropriate expertise, in each case that is experienced in such calculations and determinations;

**SOFR Benchmark Replacement Date** means the earliest to occur of the following events with respect to then-current SOFR Benchmark (including the daily published component used in the calculation thereof):

- (1) in the case of sub-paragraph (1) or (2) of the definition of SOFR 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 SOFR Benchmark permanently or indefinitely ceases to provide the SOFR Benchmark (or such component); or
- (2) in the case of sub-paragraph (3) of the definition of SOFR Benchmark Transition Event, the date of the public statement or publication of information referenced therein.

If the event giving rise to the SOFR Benchmark Replacement Date occurs on the same day as, but earlier than, the Relevant Time in respect of any determination, the SOFR Benchmark Replacement Date will be deemed to have occurred prior to the Relevant Time for such determination;

**SOFR Benchmark Transition Event** means the occurrence of one or more of the following events with respect to the then-current SOFR Benchmark (including the daily published component used in the calculation thereof):

- (1) a public statement or publication of information by or on behalf of the administrator of the SOFR Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the SOFR 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 SOFR Benchmark (or such component);
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the SOFR Benchmark (or such component), the central bank for the currency of the SOFR Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the SOFR Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the SOFR Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the SOFR Benchmark (or such component), which states that the administrator of the SOFR Benchmark (or such component) has ceased or will cease to provide the SOFR 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 SOFR Benchmark (or such component); or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of the SOFR Benchmark announcing that the SOFR Benchmark is no longer representative;

**SOFR Index** means, with respect to any United States Government Securities Business Day, the SOFR Index value published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at the Relevant Time on such United States Government Securities Business Day;

**SOFR Observation Period** means, in respect of any Interest Period, the period from (and including) the date falling “*p*” United States Government Securities Business Days prior to the first day of such Interest Period to (but excluding) the date falling *p* United States Government Securities Business 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); and

**SOFR Reference Rate** means, in respect of any United States Government Securities Business Day:

- (1) a rate equal to SOFR for such United States Government Securities Business Day appearing on the SOFR Administrator's Website on the Relevant Time on the United States Government Securities Business Day immediately following such United States Government Securities Business Day; or
- (2) if SOFR in respect of such United States Government Securities Business Day does not appear as specified in paragraph (1), unless the SOFR Benchmark Replacement Agent determines that a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred with respect to SOFR on or prior to the Relevant Time on the United States Government Securities Business Day immediately following such United States Government Securities Business Day, SOFR in respect of the first preceding United States Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or
- (3) if the SOFR Benchmark Replacement Agent determines that a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred

with respect to the then-current SOFR Benchmark on or prior to the Relevant Time on the United States Government Securities Business Day immediately following such United States Government Securities Business Day (or, if the then-current SOFR Benchmark is not SOFR, on or prior to the Relevant Time on the Relevant Date), then (subject to the subsequent operation of this paragraph (3)) from (and including) the United States Government Securities Business Day immediately following such United States Government Securities Business Day (or the Relevant Date, as applicable) (the Affected Day), the SOFR Reference Rate shall mean, in respect of any United States Government Securities Business Day, the applicable SOFR Benchmark Replacement for such United States Government Securities Business Day appearing on, or obtained from, the Relevant Source at the Relevant Time on the Relevant Date.

**Unadjusted SOFR Benchmark Replacement** means the SOFR Benchmark Replacement excluding the SOFR Benchmark Replacement Adjustment; and

**United States Government Securities Business Day** has the meaning given in Condition 4.4(d).

- (D) Notwithstanding the other provisions of this Condition 4.2(b), in the event the SOFR Benchmark Replacement Agent determines it appropriate, in its sole discretion, to consult with an Independent Adviser in connection with any determination to be made by the SOFR Benchmark Replacement Agent pursuant to this Condition 4.2(b), the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, for the purposes of any such consultation.

An Independent Adviser appointed pursuant to this Condition 4.2(b) shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the SOFR Benchmark Replacement Agent, the Principal Paying Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Benchmark Replacement Agent in connection with any determination made by the SOFR Benchmark Replacement Agent pursuant to this Condition 4.2(b).

- (E) Any determination, decision or election that may be made by the SOFR Benchmark Replacement Agent pursuant to this Condition 4.2(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event (including any determination that a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred with respect to the then-current SOFR Benchmark), circumstance or date and any decision to take or refrain from taking any action or any selection, will be made in the sole discretion of the SOFR Benchmark Replacement Agent, acting in good faith and in a commercially reasonable manner.

In the case of Senior Preferred Notes (if applicable) and Senior Non-Preferred Notes only, notwithstanding any other provision of this Condition 4.2(b), no SOFR Benchmark Replacement will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 4.2(b) if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

In the case of Subordinated Notes only, notwithstanding any other provision of this Condition 4.2(b), no SOFR Benchmark Replacement will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 4.2(b) if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the

qualification of the Notes as Tier 2 Capital of the Issuer and/or (if applicable) MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

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

If the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify 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 or (in the case of Exempt Notes) Pricing Supplement specify 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note or which are Dematerialised Notes, the aggregate outstanding nominal amount of the Notes represented by such Global Note or which are Dematerialised Notes; or
- (ii) in the case of Floating Rate Notes 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 Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note 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 4.2 or Condition 4.6, as the case may be:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” or “Actual/365” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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);

- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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;
- (iv) if “Actual/360” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

**D<sub>2</sub>** 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 **D<sub>2</sub>** will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D<sub>1</sub>** 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 **D<sub>1</sub>** will be 30; and

**D<sub>2</sub>** 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 **D<sub>2</sub>** will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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, the relevant Dematerialised Account Manager (in the case of Dematerialised Notes) and any stock exchange or other relevant authority on which the relevant Floating Rate 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 13 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 or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13. For the purposes of the Conditions, 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.

#### 4.3 Reference Rate Replacement

If:

- (a) the Notes are Reset Notes and Mid-Swap Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as the Reset Reference Rate; or
- (b) the Notes are Floating Rate Notes (in the case of Floating Rate Notes other than where the Reference Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being Compounded Daily SOFR, in which case the provisions of this Condition 4.3 shall not apply),

and, in each case, if Reference Rate Replacement is also specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable, then the provisions of this Condition 4.3 shall apply.

If notwithstanding the provisions of Condition 4.2(b)(i) or Condition 4.4(b), the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) (in each case, in consultation with the Issuer) determines that a Benchmark Event has occurred when any Rate of Interest (or any component thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser with a view to the Issuer determining:
  - (A) a Successor Reference Rate; or
  - (B) failing which, an Alternative Reference Rate,

and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) no later than the relevant IA Determination Cut-off Date, for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes for such next Interest Period and for all other future Interest Periods (subject to the subsequent operation of this Condition 4.3 during any other future Interest Period(s));

- (ii) if a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by the Issuer in accordance with this Condition 4.3:



- (A) such Successor Reference Rate or Alternative Reference Rate (as applicable) shall be the Original Reference Rate for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.3);
- (B) if the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner:
  - (x) determines that an Adjustment Spread is required to be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.3); or
  - (y) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, then the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.3); and
- (C) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner may in its discretion specify:
  - (x) other changes to the Conditions which it determines are reasonably necessary in order to follow market practice in relation to the relevant Successor Reference Rate or Alternative Reference Rate and/or any Adjustment Spread (as applicable), including, but not limited to, (1) the Additional Business Centre(s), Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Reset Reference Rate, Reference Banks, Reset Reference Banks, Relevant Financial Centre, Relevant Screen Page, Relevant Time and/or Reset Determination Date (as applicable) applicable to the Notes and (2) the method for determining the fallback to the Rate of Interest in relation to the Notes if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and
  - (y) any other changes which the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines are reasonably necessary to ensure the proper operation and comparability to the Original Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable),

which changes shall apply to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 4.3); and

- (D) promptly following the determination of (x) any Successor Reference Rate or Alternative Reference Rate (as applicable) and (y) if applicable, any Adjustment Spread, the Issuer shall give notice thereof and of any changes (and the effective date thereof) pursuant to Condition 4.3(ii)(C) to the Principal Paying Agent (in the case of Notes other than Dematerialised Notes), the relevant Dematerialised Account Manager

(in the case of Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes), and each stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13.

No consent of the Noteholders shall be required in connection with effecting the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) described in this Condition 4.3 or such other relevant changes pursuant to Condition 4.3(ii), including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Agency Agreement and/or (if applicable) the VPS Account Manager Agreement (if required).

For the avoidance of doubt, if a Successor Reference Rate or an Alternative Reference Rate is not determined pursuant to the operation of this Condition 4.3 prior to the relevant IA Determination Cut-off Date, then the Rate of Interest for the next Interest Period shall be determined by reference to the fallback provisions of Condition 4.2(b)(i) or Condition 4.4(b) (as applicable), subject to the further operation of this Condition 4.3 for any subsequent Interest Period.

In the case of Senior Preferred Notes (if applicable) and Senior Non-Preferred Notes only, notwithstanding any other provision of this Condition 4.3, no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 4.3 if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

In the case of Subordinated Notes only, notwithstanding any other provision of this Condition 4.3, no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 4.3 if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Issuer and/or (if applicable) MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

An Independent Adviser appointed pursuant to this Condition 4.3 shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Principal Paying Agent, the Paying Agents, the Noteholders or the Couponholders 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 4.3.

For the purposes of the Conditions:

**Adjustment Spread** means a spread (which may be positive or negative or zero) or formula or methodology for calculating a spread, which the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Original Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Reference Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner,

determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by such Successor Reference Rate or the Alternative Reference Rate (as applicable); or

- (iii) if neither (i) nor (ii) above applies, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner determines to be appropriate;

**Alternative Reference Rate** means an alternative benchmark or screen rate that the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines 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 component part thereof) in respect of debt securities denominated in the Specified Currency and of a comparable duration:

- (i) in the case of Floating Rate Notes, to the relevant Interest Periods; or
- (ii) in the case of Reset Notes, to the relevant Reset Periods,

or in any case, if the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that there is no such rate, such other rate as it determines in its discretion is most comparable to the Original Reference Rate;

**Benchmark Event** means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist or be administered; or
- (ii) the later of (A) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before 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 specified date referred to 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, on or before a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in (iv) (A); or
- (v) the later of (A) the making of 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 on or before a specified date and (B) the date falling six months prior to the specified date referred to in (v)(A); or
- (vi) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) or any of the parties to the Agency Agreement and/or (if applicable) the VPS Account Manager Agreement to calculate any payments due to be made to the Noteholders using the Original Reference Rate; or

- (vii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative or may no longer be used;

**IA Determination Cut-off Date** means:

- (i) if the Notes are Floating Rate Notes, in any Interest Period, the date that is no later than five Business Days prior to the Interest Determination Date relating to the immediately following Interest Period; or
- (ii) if the Reset Reference Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as Mid-Swap Rate, in any Reset Period, the date that is no later than five Business Days prior to the Reset Determination Date relating to the next succeeding Reset Period;

**Independent Adviser** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

**MREL Eligible Liabilities** means instruments which are available to meet any MREL Requirement (however called or defined by then Applicable MREL Regulations) of the Issuer or the Group, as the case may be, under Applicable MREL Regulations, including , for the avoidance of doubt, Subordinated Notes;

**Original Reference Rate** means:

- (i) the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) of the Notes; or
- (ii) any Successor Reference Rate or Alternative Reference Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of this Condition 4.3;

**Relevant Nominating Body** means, in respect of an Original Reference Rate:

- (i) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such 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 such Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of such 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; and

**Successor Reference Rate** means the rate that the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is a successor to or replacement of the Original Reference Rate, which successor or replacement is formally recommended by any Relevant Nominating Body.

#### **4.4 Interest on Reset Notes**

- (a) **Rate of Interest**

Each Reset Note bears interest:

- (a) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date (the **Initial Period**), at the Initial Rate of Interest;
- (b) for the First Reset Period, at the First Reset Rate of Interest; and
- (c) 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 or (in the case of Exempt Notes) Pricing Supplement up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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 or (in the case of Exempt Notes) Pricing Supplement, amount to the Broken Amount(s) so specified.

The Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) will calculate the amount of interest (the Reset Notes Interest Amount) payable on the Reset Notes for any period by applying the relevant Rate of Interest to:

- (i) in the case of Reset Notes which are represented by a Global Note or which are Dematerialised Notes, the aggregate outstanding nominal amount of the Notes represented by such Global Note or which are Dematerialised Notes; or
- (ii) in the case of Reset Notes 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 Note in definitive form is a multiple of the Calculation Amount, the Reset Notes Interest Amount payable in respect of such Note 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 the Reset Reference Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as Mid-Swap Rate and if on any Reset Determination Date, the Relevant Screen Page is not available or the Reset Reference 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 Notes in respect of each Interest Period falling in the relevant Reset Period will, subject as provided in Condition 4.3, as applicable, be determined by the Principal Paying Agent (in the case of Notes other

than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) on the following basis:

- (a) the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) shall request each of the Reset Reference Banks to provide the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) with its Mid-Market Swap Rate Quotation as at approximately the Relevant Time on the Reset Determination Date in question;
- (b) if at least three of the Reset Reference Banks provide the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) 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 (B) the Relevant Reset Margin, all as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes);
- (c) if only two 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes);
- (d) 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes);
- (e) if none of the Reset Reference Banks provides the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 4.4, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) will be equal to the sum of (A) the relevant Reset Reference Rate determined on the last preceding Reset Determination Date and (B) the Relevant Reset Margin or, in the case of the first Reset Determination Date, the First Reset Rate of Interest will be equal to the sum of:
  - (i) if Initial Mid-Swap Rate Final Fallback is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable, (A) the Initial Mid-Swap Rate and (B) the Relevant Reset Margin;
  - (ii) if Reset Maturity Initial Mid-Swap Rate Final Fallback is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable, (A) the Reset Period Maturity Initial Mid-Swap Rate and (B) the Relevant Reset Margin; or
  - (iii) if Last Observable Mid-Swap Rate Final Fallback is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable, (A) the last observable rate for swaps in the Specified Currency with a term equal to the

relevant Reset Period which appears on the Relevant Screen Page and (B) the Relevant Reset Margin,

all as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes).

(c) **Reset Reference Rate Conversion**

This Condition 4.4(c) is only applicable if Reset Reference Rate Conversion is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable. The First Reset Rate of Interest and, if applicable, each Subsequent Reset Rate of Interest will be converted by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) from the Original Reset Reference Rate Payment Basis specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement to a basis which matches the per annum frequency of Interest Payment Dates in respect of the Notes (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it).

(d) **Notification of Rate of Interest and Interest Amounts**

In respect of a Reset Period, the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) will cause the relevant Rate of Interest in respect of such Reset Period and each Reset Notes Interest Amount for each Interest Period falling in such Reset Period to be notified to the Issuer, the relevant Dematerialised Account Manager (in the case of Dematerialised Notes) 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 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 4.2(f)) thereafter. Each Reset Notes 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 Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13.

For the purposes of the Conditions:

**Day Count Fraction** has the meaning given in Condition 4.2(d);

**Fallback Relevant Time** has the meaning given in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**Federal Reserve Bank of New York's Website** means the website of the Federal Reserve Bank of New York at <http://www.newyork.fed.org>, or any successor source;

**First Reset Margin** has the meaning given in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**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 or (in the case of Exempt Notes) Pricing Supplement, the Maturity Date;

**First Reset Period Fallback Yield** means the yield specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**First Reset Rate of Interest** means, in respect of the First Reset Period and, if applicable, subject to Condition 4.4(b) and 4.4(c), the rate of interest determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the First Reset Margin;

**H.15** means the weekly statistical release designated as H.15, or any successor publication, published by the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication;

**Interest Period** has the meaning given in Condition 4.2(a);

**Mid-Market Swap Rate** means, subject as provided in Condition 4.3, if applicable, 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 Reset Reference Rate Payment Basis (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes)) 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 (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes));

**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 EURIBOR (if the Specified Currency is euro); NIBOR (if the Specified Currency is Norwegian Kroner); STIBOR (if the Specified Currency is Swedish Krona); REIBOR (if the Specified Currency is króna) or (in the case of any other Specified Currency) the benchmark rate most closely connected with such Specified Currency and selected by the Issuer in its discretion after consultation with the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes), in each case, subject as provided in Condition 4.4, if applicable;

**Original Reset Reference Rate Payment Basis** has the meaning given in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. In the case of Notes other than Exempt Notes, the Original Reset Reference Rate Payment 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, in relation to 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), as selected by the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes), in each case, on the advice of an investment bank of international repute, 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 Specified Currency and of a comparable maturity to such Reset Period;

**Reference Bond Quotation** means, in relation to a Reset Reference Bank and a Reset Determination Date:



- (a) if Reference Bond is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the arithmetic mean, as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) of the bid and offered yields for the relevant Reference Bond provided to the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) by such Reset Reference Bank at approximately the Relevant Time on such Reset Determination Date; or
- (b) if CMT Rate is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the rate, as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) of the Original Reset Reference Rate Payment Basis yield-to-maturity based on the secondary market bid price of such Reset Reference Bank for the relevant Reset United States Treasury Security at approximately the Fallback Relevant Time on the United States Government Securities Business Day following such Reset Determination Date;

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

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

**Reset Period Maturity Initial Mid-Swap Rate** has the meaning given in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**Reset Reference Bank Rate** means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate (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)) determined on the basis of the Reference Bond Quotations provided by the Reset Reference Banks to the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) at approximately:

- (a) if Reference Bond is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Relevant Time on such Reset Determination Date; or
- (b) if CMT Rate is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Fallback Relevant Time on the United States Government Securities Business Day following such Reset Determination Date.

If at least three such Reference Bond Quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean (rounded as aforesaid) of the Reference Bond 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). If only two Reference Bond Quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean (rounded as aforesaid) of the Reference Bond Quotations provided. If fewer than two Reference Bond Quotations are provided, the Reset Reference Bank Rate for the relevant Reset Period will be (i) in the case of each Reset Period other than the First Reset Period, the Reset Reference Bank Rate in respect of the immediately preceding Reset Period or (ii) in the case of the First Reset Period, the First Reset Period Fallback Yield;

**Reset Reference Banks** means:

- (a) if Mid-Swap Rate is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Reset Reference Rate;
- (b) if Reference Bond is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the principal office in the principal financial centre of the Specified Currency of four major banks which are primary government securities dealers or market makers in pricing corporate bond issues denominated in the Specified Currency; or
- (c) if CMT Rate is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, five major banks which are primary United States Treasury Securities dealers or market makers in pricing corporate bond issues denominated in U.S. dollars, as published on the Federal Reserve Bank of New York's Website,

in each case, as selected by the Issuer (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes);

**Reset Reference Rate** means, in relation to a Reset Determination Date and subject to Condition 4.3 and Condition 4.4(b), if applicable:

- (a) if Mid-Swap Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement:
  - (i) if Single Mid-Swap Rate is further specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, 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 or (in the case of Exempt Notes) Pricing Supplement, 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:
    - (A) with a term equal to the relevant Reset Period; and
    - (B) 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 Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes); or

- (b) if Reference Bond is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement:
  - (i) if a Relevant Screen Page is specified in the applicable Final Terms or Pricing Supplement, 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 yields of the relevant Reference Bond, as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) by reference to the Relevant Screen Page at the Relevant Time on such Reset Determination Date; or
  - (ii) if (i) a Relevant Screen Page is so specified and such rate does not appear on the Relevant Screen Page at such Relevant Time on such Reset Determination Date or (ii) a Relevant Screen Page is not so specified, the Reset Reference Bank Rate on such Reset Determination Date; or
- (c) if CMT Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and if the Specified Currency is U.S. dollars, the rate which is equal to:
  - (i) the Original Reset Reference Rate Payment Basis yield for United States Treasury Securities at “constant maturity” for a designated maturity which is equal or comparable to the duration of the relevant Reset Period, as published in H.15 under the caption “Treasury constant maturities (nominal)”, as that yield is displayed on such Reset Determination Date, on the Relevant Screen Page; or
  - (ii) if the yield referred to in paragraph (i) above is not published by the Relevant Time on the Relevant Screen Page on such Reset Determination Date, the Original Reset Reference Rate Payment Basis yield for the United States Treasury Securities at “constant maturity” having a period to maturity which is equal or comparable to the duration of the relevant Reset Period as published in H.15 under the caption “Treasury constant maturities (nominal)” on such Reset Determination Date; or
  - (iii) if neither the yield referred to in paragraph (i) above nor the yield referred to in paragraph (ii) above is published on such Reset Determination Date, the Reset Reference Bank Rate on such Reset Determination Date,

in each case, all as determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes);

**Reset United States Treasury Security** means, in relation to a Reset Determination Date, the United States Treasury Security:

- (a) with an original term to maturity upon issue of approximately the duration of the relevant Reset Period and a remaining term to maturity of not less than one year less than the duration of the relevant Reset Period; and
- (b) which is in a principal amount equal to at least U.S.\$1,000,000,000;

**Subsequent Reset Margin** has the meaning given in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;

**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;

**Subsequent Reset Rate of Interest** means, in respect of any Subsequent Reset Period and, if applicable, subject to Condition 4.4(b) and Condition 4.4(c), the rate of interest determined by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the relevant Dematerialised Calculation Agent (in the case of Dematerialised Notes) on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the relevant Subsequent Reset Margin;

**United States Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which, due to a recommendation of the Securities Industry and Financial Markets Association (or its successor), the fixed income departments of its members are closed for the entire day for purposes of trading in U.S. government securities; and

**United States Treasury Securities** means securities that are direct obligations of the United States Treasury, issued other than on a discount basis.

#### **4.5 Interest on Inflation Linked Notes**

This Condition 4.5 only applies to CSD Notes.

Each Inflation Linked Note bears interest from (and including) the Interest Commencement Date at the rate per annum equal to the Rate of Interest multiplied by the Index Ratio (as defined in Condition 5.9) below. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date or any earlier Interest Payment Date on which the Notes are redeemed in full.

If interest is required to be calculated for a period other than an Interest Period, such interest shall be calculated in respect of any period by applying the Rate of Interest multiplied by the Index Ratio (as defined in Condition 5.9) to the aggregate outstanding nominal amount of the Inflation Linked Notes and multiplying such sum by the applicable Day Count Fraction (as defined in Condition 4.1), 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.

#### **4.6 Interest on Inflation Linked Amortising Notes**

This Condition 4.6 only applies to CSD Notes.

Each Inflation Linked Amortising Note bears interest from (and including) the Interest Commencement Date at the rate per annum equal to the Rate of Interest payable in arrear 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 applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined in Condition 4.1 or, as the case may be, Condition 4.2(d)), 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.

#### **4.7 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 Conditions 4.2, 4.3 and 4.4 by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes), the relevant

Dematerialised Calculation Agent (in the case of Dematerialised Notes) or (as provided in Conditions 4.2 and 4.3) a Benchmark Replacement Agent or an Independent Adviser (if applicable), shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the relevant Dematerialised Account Manager, the relevant Dematerialised Calculation Agent, the other Agents (each if applicable) and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent, the relevant Dematerialised Calculation Agent, the Benchmark Replacement Agent or such Independent Adviser (each if applicable) in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **4.8 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) 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 Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent, the relevant Dematerialised Account Manager or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 13.

### **5. PAYMENTS**

#### **5.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified 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 Sydney and Auckland, respectively); and
- (b) payments in euro will be made 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 (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 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, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

#### **5.2 Presentation of definitive Bearer Notes and Coupons**

Payments of principal in respect of definitive Bearer Notes will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes 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)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) 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 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note 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 Note, Reset Note, Inflation Linked Note, Inflation Linked Amortising Note or Long Maturity Note in definitive bearer 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 Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note 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 Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note 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 Note.

### **5.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note 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 either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### **5.4 Payments in respect of Registered Notes**

Payments of principal in respect of each Registered Note (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 Note 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 Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg 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 Notes held by a holder is less than U.S.\$250,000 (or its approximate 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 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 (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (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 Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg 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 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 Note, 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) in respect of the Registered Notes 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 Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition 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 Notes.

None of the Issuer and the Agents 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 Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **5.5 General provisions applicable to payments in relation to Notes other than Dematerialised Notes**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, 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 Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or

interest in respect of such Notes 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 Bearer Notes 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.

## **5.6 Dematerialised Notes**

Payments of principal and interest in respect of Dematerialised Notes shall be made by, or on behalf of, the Issuer to the holders shown in the records of the Relevant Dematerialised Clearing System, in accordance with, and subject to the rules and regulations from time to time governing, the Relevant Dematerialised Clearing System.

## **5.7 Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) 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) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre (other than T2) specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement; or
  - (iii) if T2 is specified as an Additional Financial Centre in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, a day on which T2 is open; and
- (b) either (1) 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 (2) in relation to any sum payable in euro, a day on which T2 is open.

## **5.8 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) the Final Redemption Amount of the Notes;



- (b) the Early Redemption Amount of the Notes;
- (c) the Optional Redemption Amount(s) (if any) of the Notes;
- (d) the Clean-up Redemption Amount (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7(b)); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

## 5.9 Payments in respect of Inflation Linked Amortising Notes

This Condition 5.9 only applies to CSD Notes.

- (a) If this is an Inflation Linked Amortising Note, the Issuer shall, on each relevant Interest Payment Date, make a combined payment of principal due under Condition 6.14, interest due under Condition 4.6 and any indexation amount (together, the **Annuity Amount**) as calculated by (in the case of Notes other than CSD Notes) the Principal Paying Agent or (in the case of CSD Notes) the CSD Calculation Agent in accordance with the following formula:

$$P = \frac{r}{1 - (1 + r)^{-n}} \times IR \times d$$

where:

P = The combined payment of principal, interest and indexation amount of the Notes;

$$r = \frac{c}{[\textit{insert number of interest payments per year}]}$$

c = The Rate of Interest applicable to the Notes;

d = The Specified Denomination of the Notes;

n = [*Insert total number of annuity payments on the Notes*]; and

IR = The Index Ratio as determined in accordance with subparagraph (b) below

- (b) The value of the Index Ratio (**Index Ratio** or **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 (in the case of Notes other than CSD Notes) the Principal Paying Agent or (in the case of CSD Notes) the CSD Calculation Agent:

$$\text{being } IR = \frac{RI}{BI}$$

where:

**Reference Index** or **RI** means:

- (i) for the first day of the relevant calendar month, the value of the Consumer Price Index (the **CPI**) for the relevant month as calculated by Statistics Iceland pursuant to the Consumer Price Index Act of 1995 (*lög um vísitölu neysluverðs nr. 12/1995*) and published monthly in the Legal Gazette (*Lögbirtingarblaðið*);
- (ii) for each day in the relevant calendar month other than the first day:
  - (A) if the CPI for the calendar month immediately succeeding the month in which the relevant Interest Payment Date falls (the **Succeeding Month CPI**) has been published as at the relevant Interest Payment Date:

$$RI = CPI_t + (CPI_{t+1} - CPI_t) \frac{d}{30}$$

- (B) if the Succeeding Month CPI has not been published as at the relevant Interest Payment Date:

$$RI = CPI_t \times (1+i)^{\frac{d}{360}}$$

where:

RI = Reference Index;

$CPI_t$  =CPI value for the first day of the relevant calendar month;

$CPI_{t+1}$  =Succeeding Month CPI;

d = number of days since the first day of the month; and

i = annualised inflation forecast of the Central Bank of Iceland

and

**Base Index** means the value specified in the applicable Final Terms or (in the case of Exempt Notes) the Pricing Supplement, being the value of the CPI on the relevant date specified in such Final Terms or (in the case of Exempt Notes) Pricing Supplement.

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 old Base Index prior to the change and the new Reference Index immediately following such substitution, divided by the old Reference Index immediately prior to such substitution.

## 6. REDEMPTION AND PURCHASE

### 6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency on the Maturity Date.

### 6.2 Redemption for tax reasons

Subject to the provisions of Condition 6.13, the Notes may, save as provided below, be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note, an Inflation Linked Note or an Inflation Linked Amortising Note) or on any Interest Payment Date (if this Note is a Floating Rate Note, an Inflation Linked Note or an Inflation Linked Amortising Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement (which notice shall be irrevocable) to the Principal Paying Agent, (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager and, in accordance with Condition 13, the Noteholders, if as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) 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 of the last Tranche of the Notes:

- (a) on the occasion of the next payment due under the Notes, the Issuer:
  - (i) has or will become obliged to pay additional amounts as provided or referred to in Condition 7; or
  - (ii) in the case of Subordinated Notes only, would not be entitled to claim a full tax deduction in a Tax Jurisdiction in respect of such payment; and
- (b) (in the case of paragraph (a)(i) above) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(each a **Tax Event**) provided that (in the case of paragraph (a)(i) above) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager 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 an opinion of independent legal advisers of recognised standing to the effect that a Tax Event has occurred.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

The Issuer undertakes that any redemption of the Notes pursuant to this Condition 6.2 will only be made in compliance with all the requirements set out herein including, but not limited to, all payments being made in the Specified Currency.

### 6.3 Redemption upon a Capital Event – Subordinated Notes

This Condition 6.3 applies only to Subordinated Notes in relation to which this Condition 6.3 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

Subject to the provisions of Condition 6.13, the Notes may, save as provided below, be redeemed at the option of the Issuer, in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement (which notice shall be irrevocable) to the Principal Paying Agent, (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager and, in accordance with Condition 13, the Noteholders, if a Capital Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager 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.

Notes redeemed pursuant to this Condition 6.3 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below 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, CRD and those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Regulator (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);

**Capital Event** means the determination by the Issuer, after consultation with the Relevant Regulator, 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 (or any pending change which the Relevant Regulator considers sufficiently certain) in the official application or interpretation thereof becoming effective on or after the Issue Date of the last Tranche of the Notes, the Notes are or, as the case may be, will be excluded in whole or in part from the Tier 2 Capital of the Issuer and/or the Group, provided that: (i) such exclusion is not as a result of any applicable limitation on such capital and (ii) the Issuer satisfies the Relevant Regulator that such exclusion was not reasonably foreseeable at the time of the issuance of the Notes;

**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.

### 6.4 Redemption upon a MREL Disqualification Event

Subject to the provisions of Condition 6.13, if Condition 6.4 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Notes may, save as provided below, be redeemed at the option of the Issuer, in whole, but not in part, at any time (if this

Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement (which notice shall be irrevocable) to the Principal Paying Agent (in the case of Dematerialised Notes), the relevant Dematerialised Account Manager and, in accordance with Condition 13, the Noteholders, 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 Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager 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.

Notes redeemed pursuant to this Condition 6.4 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, **MREL Disqualification Event** means the determination by the Issuer that, as a result of a change (or any pending change which the Relevant Regulator considers sufficiently certain) in any Applicable MREL Regulations becoming effective on or after the Issue Date of the last Tranche of the Notes, the Notes will be fully excluded or partially excluded from the MREL Eligible Liabilities if the Issuer or the Group is then or, as the case may be, will be subject to any MREL Requirement; provided that a MREL Disqualification Event shall not occur where such exclusion (A) is or will be caused by (i) the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria under the Applicable MREL Regulations, (ii) the Notes being bought back by or on behalf of the Issuer or (iii) any applicable limits on the amount of instruments permitted or allowed to meet any MREL Requirement(s) being exceeded and/or (B) was reasonably foreseeable as at the Issue Date of the last Tranche of such Notes.

## **6.5 Redemption at the option of the Issuer (Issuer Call)**

Subject to the provisions of Condition 6.13, if Issuer Call is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Issuer may, save as provided below, having given:

- (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement 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 or (in the case of Exempt Notes) Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected:

- (i) individually by lot, in the case of Redeemed Notes represented by definitive Notes;

- (ii) 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), in the case of Redeemed Notes represented by a Global Note; or
- (iii) in accordance with the standard procedures of the Relevant Dematerialised Clearing System, in the case of Redeemed Notes which are Dematerialised Notes,

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 Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.5 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

The Issuer undertakes that any redemption of the Notes pursuant to this Condition 6.5 will only be made in compliance with all the requirements set out herein including, but not limited to, all payments being made in the Specified Currency.

#### **6.6 Clean-up Redemption at the option of the Issuer (Clean-up Redemption Option)**

Subject to the provisions of Condition 6.13, if Clean-up Redemption Option is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, in the event that at least 75 per cent. or any higher percentage specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement of the initial aggregate principal amount of a particular Series of Notes (which for the avoidance of doubt include any additional notes issued subsequently pursuant to Condition 15 and forming a single series with the first Tranche of a particular Series of Notes) has been redeemed or purchased by, or on behalf of, the Issuer or any of its subsidiaries, and in each case, cancelled (the **Clean-up Percentage**), the Issuer may, at its option, having given:

- (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem in whole, but not in part, the Notes then outstanding on the Clean-up Redemption Date and at the Clean-up Redemption Amount specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Clean-up Redemption Date.

#### **6.7 Early Redemption Amounts**

For the purpose of Condition 6.2, Condition 6.3 and Condition 6.4, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note) the amount specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement or, if no such amount or

manner is so specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, at its nominal amount; or

- (b) in the case of a Zero Coupon Note, 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 the Day Count Fraction specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be 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 Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable and the denominator will be 365).

## 6.8 Purchases

Subject to the provisions of Condition 6.13, the Issuer or any Subsidiary of the Issuer may purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, in the case of Notes other than Dematerialised Notes, surrendered to any Paying Agent and/or the Registrar for cancellation, in the case of Dematerialised Notes, cancelled by deletion from the records of the Relevant Dematerialised Clearing System.

## 6.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.8 above (together with all unmatured Coupons and Talons cancelled therewith), in the case of Notes other than Dematerialised Notes, shall be forwarded to the Principal Paying Agent or, in the case of Dematerialised Notes, shall be deleted from the records of the Relevant Dematerialised Clearing System, and, in any case, cannot be reissued or resold.

## 6.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4 or 6.5 above is improperly withheld or refused, the amount due and payable in respect of such Zero Coupon Note shall be the amount calculated as provided in

Condition 6.7(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note 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 Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent (in the case of Notes other than Dematerialised Notes) or the Registrar or the relevant Dematerialised Account Manager (in the case of Dematerialised Notes) and notice to that effect has been given to the Noteholders in accordance with Condition 13.

#### **6.11 Substitution or Variation – Subordinated Notes**

This Condition 6.11 applies only to Subordinated Notes and “Notes” and “Noteholders” in this Condition shall be construed accordingly.

If Condition 6.11 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, and at any time a Capital Event or a Tax Event occurs, or to ensure the effectiveness or enforceability of Condition 17, subject to the provisions of Condition 6.13, the Issuer may, having given not less than 15 nor more than 30 days’ notice (which notice shall be irrevocable) to the Principal Paying Agent, (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager and, in accordance with Condition 13, the Noteholders, either substitute all, but not some only, of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 17 from English law to Icelandic law) so that they remain, or, as appropriate, become, Subordinated 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 Notes.

Prior to the publication of any notice of substitution or variation pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager 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 Notes, have occurred.

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

**Subordinated Qualifying Securities** means securities issued directly or indirectly by the Issuer that:

- (a) other than in the case of a change to governing law of Condition 17 to Icelandic law in order to ensure the effectiveness and enforceability of Condition 17, have terms not materially less favourable to the Noteholders as a class than the terms of the Notes (as reasonably determined by the Issuer) and, subject thereto, they shall (i) have a ranking at least equal to that of the Notes prior to the relevant substitution or variation, as the case may be; (ii) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes prior to the relevant substitution or variation, as the case may be; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation, as the case may be; (iv) if immediately prior to the relevant substitution or variation, as the case may be, the Notes constitute Tier 2 Capital, comply with the then current requirements of the FSA in relation to Tier 2 Capital; (v) if Condition 6.12 is specified as applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and if immediately prior to the relevant substitution or variation, as the case may be, the Notes qualify as MREL Eligible Liabilities, comply with the then current requirements for such instruments provided for in the Applicable MREL Regulations in relation to the relevant MREL Requirement(s), (vi) preserve



any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation, as the case may be, or, if none, the Interest Commencement Date, and (vii) where Notes which have been substituted or varied had a published 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 solicited rating to the relevant Qualifying Securities; and

- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to such substitution or variation, as selected by the Issuer; and

**Rating Agency** means S&P Global Ratings Europe Limited or its successor.

#### **6.12 Substitution or Variation – Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes**

If Condition 6.12 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, and at any time a MREL Disqualification Event or a Tax Event occurs, or to ensure the effectiveness or enforceability of Condition 17, subject to the provisions of Condition 6.13, the Issuer may, having given not less than 15 nor more than 30 days' notice (which notice shall be irrevocable) to the Principal Paying Agent, (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager and, in accordance with Condition 13, the Noteholders, either substitute all, but not some only, of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 17 from English law to Icelandic law) so that they remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities (as defined above), in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined below) or, in the case of Subordinated Notes, Subordinated Qualifying Securities (as defined in Condition 6.11), 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 Principal Paying Agent and (in the case of Dematerialised Notes) the relevant Dematerialised Account Manager 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 Notes, have occurred.

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

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

- (a) other than in the case of a change to governing law of Condition 17 to Icelandic law in order to ensure the effectiveness and enforceability of Condition 17, have terms not materially less favourable to the Noteholders as a class than the terms of the Notes (as reasonably determined by the Issuer) and, subject thereto, they shall (i) include a ranking at least equal to that of the Notes prior to such substitution or variation, as the case may be; (ii) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes prior to such substitution or variation, as the case may be; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation, as the case may be; (iv) comply with the then current requirements in relation to “eligible liabilities” (or any equivalent or successor term) provided for in the Applicable MREL Regulations; (v) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation, as the case may be, or, if none, the Interest Commencement Date; (vi) where the Notes which have been substituted or varied had a published 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 solicited rating to the relevant Senior Non-Preferred Qualifying Securities, and (vii) not include any loss absorbing provisions such as principal write-offs, write-downs or conversion to equity, unless the triggers are objective and measurable; and

- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to such substitution or variation, as selected by the Issuer; and

**Senior Preferred Qualifying Securities** means securities issued directly or indirectly by the Issuer that:

- (a) other than in the case of a change to governing law of Condition 17 to Icelandic law in order to ensure the effectiveness and enforceability of Condition 17, have terms not materially less favourable to the Noteholders as a class than the terms of the Notes (as reasonably determined by the Issuer) and, subject thereto, they shall (i) include a ranking at least equal to that of the Notes prior to such 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 prior to such substitution or variation, as the case may be; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation, as the case may be; (iv) comply with the then current requirements in relation to “eligible liabilities” (or any equivalent or successor term) provided for in the Applicable MREL Regulations; (v) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation, as the case may be, or, if none, the Interest Commencement Date; (vi) where the Notes which have been substituted or varied had a published 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 solicited rating to the relevant Senior Preferred Qualifying Securities, and (vii) not include any loss absorbing provisions such as principal write-offs, write-downs or conversion to equity, unless the triggers are objective and measurable; and
- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to such substitution or variation, as selected by the Issuer.

### **6.13 Consent of the Relevant Regulator**

In the case of Subordinated Notes, no early redemption in any circumstances, purchase under Condition 6.8 or substitution or variation under Condition 6.11 or, as the case may be, Condition 6.12, shall take place without the prior written consent of the Relevant Regulator (if and to the extent then required by the Relevant Regulator). In addition, in respect of any redemption of Subordinated Notes pursuant to Condition 6.2, 6.3 or 6.4 only, and except to the extent the Relevant Regulator no longer requires, the Issuer may only redeem such Notes before five years after the Issue Date of the last Tranche of the Notes if the Issuer demonstrates to the satisfaction of the Relevant Regulator that the circumstance that entitles it to exercise such right of redemption was not reasonably foreseeable as at the Issue Date of the last Tranche of the Notes. For the avoidance of doubt, redemption of Subordinated Notes under Condition 6.1 shall not require the consent of the Relevant Regulator.

In the case of Senior Preferred and Senior Non-Preferred Notes, no early redemption in any circumstances, purchase under Condition 6.8 or substitution or variation under Condition 6.12, shall take place without the prior written consent of the Relevant Regulator (if and to the extent then required by the Applicable Banking Regulations). For the avoidance of doubt, redemption of Senior Preferred and Senior Non-Preferred Notes under Condition 6.1 shall not require the consent of the Relevant Regulator.

Any refusal by the Relevant Regulator to grant its consent to any such early redemption, variation, substitution or purchase (as the case may be) pursuant to this Condition 6.13 will not constitute an Enforcement Event or event of default under the Notes.

#### **6.14 Calculation of principal payments in respect of Inflation Linked Amortising Notes**

This Condition 6.14 only applies to CSD Notes.

Unless previously redeemed or purchased and cancelled, each Inflation Linked Amortising Note will, subject to Condition 5.9, be redeemed in one or more amounts constituting payments of principal in relation to such Inflation Linked Amortising Note, in the relevant Specified Currency on the relevant Interest Payment Dates, calculated in accordance with the following formula:

$$A = \frac{r(1+r)^k - 1}{(1+r)^n - 1} \times d$$

where:

A = The amount of each instalment of the Notes;

$$r = \frac{c}{[\textit{insert number of interest payments per year}]}$$

c = The Rate of Interest applicable to the Notes;

d = The Specified Denomination of the Notes;

n = [*Insert total number of [annuity] payments on the Notes*]; and

k = The number of payments that have already taken place + 1 (*k = 1 for the first payment, k = 2 for the second payment, etc.*)

*This formula does not link the principal amount calculated to inflation.*

#### **6.15 Calculation of principal payments in respect of Inflation Linked Notes**

This Condition 6.15 only applies to CSD Notes.

Unless previously redeemed or purchased and cancelled, each Inflation Linked Note will be redeemed in one or more amounts constituting payments of principal in relation to such Inflation Linked Note, in the relevant Specified Currency on the relevant Interest Payment Dates, calculated in accordance with the following formula:

$$\underline{P} = N \times IR$$

where:

P = the Final Redemption Amount per Specified Denomination of each Inflation Linked Note;

N = the Specified Denomination (as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) for each Inflation Linked Note; and

IR = the Index Ratio as set out in Condition 5.9(b), above.

## 7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by 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 (including 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, any official interpretations thereof, or any law implementing an intergovernmental approach thereto). In such event, in the case of a payment of interest only, the Issuer will pay such additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes 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 Note or Coupon:

- (a) presented for payment in Iceland; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note 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 5.7); or
- (d) on account of any tax, assessment or other governmental charge that is imposed or withheld by reason of the application of Section 1471 through 1474 of the Code (or any successor provisions), any regulation, pronouncement or agreement thereunder, official interpretations thereof, or any intergovernmental agreement or any law implementing an intergovernmental approach thereto, whether currently in effect or as published and amended from time to time.

As used herein:

- (i) **Tax Jurisdiction** means Iceland or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) 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 (in the case of Notes other than Dematerialised Notes) or the Registrar or the relevant Dematerialised Account Manager (in the case of Dematerialised Notes), as the case may be, 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 Noteholders in accordance with Condition 13.

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

## 8. **PRESCRIPTION**

The Notes (in whatever form) and Coupons 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 five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

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 5.2 or any Talon which would be void pursuant to Condition 5.2.

## 9. **ENFORCEMENT EVENTS**

The following events or circumstances (each an **Enforcement Event**) shall constitute enforcement events in relation to the Notes:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of three days in the case of principal and seven days in the case of interest, any Noteholder 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 Noteholder, provided that a Noteholder may not at any time file for liquidation or bankruptcy of the Issuer. Any Noteholder 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 Notes, 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, then the Notes shall become due and payable at their outstanding principal amount together with interest (if any) accrued to such date.

## 10. **REPLACEMENT OF NOTES, COUPONS AND TALONS**

This Condition 10 only applies to Notes other than Dematerialised Notes.

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) 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 Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **11. AGENTS**

The names of the initial Agents and the initial VPS Account Manager and their initial specified offices are set out below. The initial CSD Account Manager is the Issuer. If any additional Paying Agents or Transfer Agents or any alternative Dematerialised Account Manager is appointed in connection with any Series, the names of such agents will be specified in Part B of the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or the relevant Dematerialised Account Manager and/or appoint additional or other Agents and/or additional or other agents in respect of any Dematerialised Notes provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes 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 Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (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; and
- (d) in the case of Dematerialised Notes, there will always be a relevant Dematerialised Account Manager authorised to act as an account holding institution with the Relevant Dematerialised Clearing System.

In addition, in the case of Notes other than Dematerialised Notes, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Agency Agreement and/or the VPS Account Manager Agreement, the Agents and the VPS Account Manager act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any 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 agent.

## **12. EXCHANGE OF TALONS**

This Condition 12 only applies to Notes other than Dematerialised Notes.

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 any 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 Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

## **13. NOTICES**

### **13.1 Notes other than Dematerialised Notes**

This Condition 13.1 only applies to Notes other than Dematerialised Notes.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes 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 Notes 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 Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are 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 Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are 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. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

### **13.2 Dematerialised Notes**

This Condition 13.2 only applies to Dematerialised Notes.

All notices regarding the Dematerialised Notes will be deemed to be validly given if published in accordance with the procedures of the Relevant Dematerialised Clearing System.

The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Dematerialised Notes are for the time being listed or by which they have been admitted to trading. The Issuer can additionally at its own discretion obtain information from the Relevant Dematerialised Clearing System on the Noteholders in order to send notices to each Noteholder directly.

Any such notice will be deemed to have been given to the holders of the Dematerialised Notes on the date it is published in accordance with the procedures of the Relevant Dematerialised Clearing System.

Notices to be given by any holder of Dematerialised Notes may be given by such holder through the Relevant Dematerialised Clearing System, in such manner as the relevant Dematerialised Account Manager and the Relevant Dematerialised Clearing System may approve for this purpose.

## **14. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

### **14.1 Notes other than Dematerialised Notes**

This Condition 14.1 only applies to Notes other than Dematerialised Notes.

The Agency Agreement contains provisions for convening meetings of the Noteholders (which need not be a physical place and instead may be by way of conference call, including by use of a videoconference platform) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in Schedule 5, Part 1 of the Agency Agreement) of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes 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 Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes 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 Notes or altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes 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 Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

Any modification to the Conditions is subject to the prior permission of the Relevant Regulator (if such permission is then required by the Applicable Banking Regulations and/or the Applicable MREL Regulations, as applicable).



## 14.2 VPS Notes

This Condition 14.2 only applies to VPS Notes.

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including that meetings of Noteholders (for the purposes of this provision, **Noteholders' Meeting**) may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing a resolution is one or more persons holding a certificate or certificates (dated no earlier than 14 days prior to the meeting) from either Euronext VPS or the VPS Account Manager stating that each such Noteholder is entered into the records of Euronext VPS as a Noteholder, and such Noteholder or Noteholders collectively hold or represent not less than 50 per cent. in nominal amount of the Notes for the time being outstanding and provide an undertaking that no transfers or dealings have taken place or will take place in the relevant Notes until the conclusion of the meeting, or at any adjourned meeting one or more such persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented; except that at any meeting the business of which includes the modification of certain provisions of the Notes as set out in Schedule 4, Part 2, subclause 3.5 of the Agency Agreement (including modifying the date of maturity of the Notes 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 Notes or altering the currency of payment of the Notes), the quorum shall be one or more such persons holding or representing not less than two-thirds in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented. A resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

For the purposes of a meeting of the Noteholders, the person named in the certificate from Euronext VPS or the VPS Account Manager described above shall be treated as the holder of the Notes specified in such certificate provided that he has given an undertaking not to transfer the Notes so specified (prior to the close of the meeting).

The provisions for the convening and holding of such Noteholders' Meetings are set out in the Agency Agreement.

The VPS Account Manager, the Principal Paying Agent (insofar as the relevant modification relates to the Agency Agreement) and the Issuer may agree without the consent of any of the Noteholders, to any modification of the VPS Notes, the VPS Account Manager Agreement or the Agency Agreement (insofar as the relevant modification to the Agency Agreement relates to the VPS Notes) which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

Any modification to the Conditions is subject to the prior permission of the Relevant Regulator (if such permission is then required by the Applicable Banking Regulations and/or the Applicable MREL Regulations, as applicable).

## 14.3 CSD Notes

This Condition 14.3 only applies to CSD Notes.

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including that meetings of Noteholders (for the purposes of this

provision, **Noteholders' Meeting**) may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing a resolution is one or more persons holding a certificate or certificates (dated no earlier than 14 days prior to the meeting) from the relevant CSD or the CSD Account Manager stating that each such Noteholder is entered into the records of the relevant CSD or the CSD Account Manager, as the case may be, as a Noteholder, and such Noteholder or Noteholders collectively hold or represent not less than 50 per cent. in nominal amount of the Notes for the time being outstanding and provide an undertaking that no transfers or dealings have taken place or will take place in the relevant Notes until the conclusion of the meeting, or at any adjourned meeting one or more such persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented; except that at any meeting the business of which includes the modification of certain provisions of the Notes as set out in Schedule 4, Part 3, subclause 3.5 of the Agency Agreement (including modifying the date of maturity of the Notes 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 Notes or altering the currency of payment of the Notes), the quorum shall be one or more such persons holding or representing not less than two-thirds in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented. A resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

For the purposes of a meeting of the Noteholders, the person named in the certificate from the relevant CSD or the CSD Account Manager, as the case may be, described above shall be treated as the holder of the Notes specified in such certificate, provided that he has given an undertaking not to transfer the Notes so specified (prior to the close of the meeting).

The provisions for the convening and holding of such Noteholders' Meetings are set out in the Agency Agreement.

The Principal Paying Agent (insofar as the relevant modification relates to the Agency Agreement) and the Issuer may agree without the consent of any of the Noteholders, to any modification of the CSD Notes or the Agency Agreement (insofar as the relevant modification to the Agency Agreement relates to CSD Notes) which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

Any modification to the Conditions is subject to the prior permission of the Relevant Regulator (if such permission is then required by the Applicable Banking Regulations and/or the Applicable MREL Regulations, as applicable).

## **15. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or 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 and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 17. ACKNOWLEDGEMENT OF STATUTORY LOSS ABSORPTION POWERS

Notwithstanding and to the exclusion of any other term of the Notes, or any other agreements, arrangements or understanding between any of the parties thereto or between the Issuer and any Noteholder (which, for the purposes of this Condition 17, includes each holder of a beneficial interest in the Notes), each Noteholder by its purchase of the Notes will be deemed to acknowledge, accept, and agree, that any liability arising under the Notes 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 Notes;
  - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;
  - (iii) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
  - (iv) the amendment or alteration of the maturity date of the Notes or the amendment of the amount of interest payable on the Notes, 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 Notes, 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 Notes, the Issuer shall provide a notice to the Noteholders in accordance with Condition 13 as soon as reasonably practicable regarding such exercise of any Statutory Loss Absorption Powers for the purpose of notifying Noteholders 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 Notes described in this Condition 17.

The exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Notes shall not constitute an Enforcement Event with respect to the Notes.

In the Conditions the following expressions shall have the following meaning:

**Relevant Amounts** means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts due on the Notes pursuant to Condition 7. 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;

**Relevant Resolution Authority** means the resolution authority with the ability to exercise any Statutory Loss Absorption Powers in relation to the Issuer; 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 (i) 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 Notes), including, but not limited to any regime which is implemented pursuant to, or which otherwise contains provisions analogous to, the BRRD and (ii) the instruments, rules and standards created under any such regime, pursuant to which any obligation of the Issuer can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

## **18. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **18.1 Governing law**

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with Agency Agreement, the Deed of Covenant, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law, except for (i) CSD Notes and (in the case of Bearer Notes, Registered Notes and VPS Notes) Condition 3 which shall, in each case, be governed by, and construed in accordance with, Icelandic law and (ii) (in the case of VPS Notes) Condition 14.2 and the registration of VPS Notes in Euronext VPS, which shall, in each case, be governed by, and construed in accordance with, Norwegian law. The VPS Account Manager Agreement is governed by, and shall be construed in accordance with, Norwegian law.

### **18.2 Submission to jurisdiction**

- (a) Subject to Condition 18.2(d) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes (other than CSD Notes) and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) Subject to Condition 18.2(d) below, the District Court of Reykjavik has exclusive jurisdiction to settle any Dispute arising out of or in connection with the CSD Notes, and accordingly each of the Issuer and any holders of the CSD Notes in relation to any Dispute submits to the exclusive jurisdiction of the District Court of Reykjavik. Legal action taken in respect of the CSD Notes under this Condition 18.2(b) may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991, chapter 17.
- (c) For the purposes of this Condition 18.2, each of the Issuer and any Noteholders or Couponholders in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (d) This Condition 18.2(d) is for the benefit of the Noteholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **18.3 Appointment of Process Agent**

The Issuer appoints LOGOS Legal Services Ltd. at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and undertakes that, in the event of LOGOS Legal Services Ltd. ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by

a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

#### **18.4 Waiver of immunity**

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

#### **18.5 Other documents**

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## USE OF PROCEEDS

The net proceeds (in respect of (a) and (c) below) or an amount equal to the net proceeds (in respect of (b) below) from each issue of Notes will, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, be:

- (a) used for the Issuer's general corporate purposes;
- (b) in respect of Green, Social or Sustainability Bonds, used to finance or refinance, in whole or in part, Green or Social Loans, as further described in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and the Sustainable Funding Framework dated January 2024 (as amended or supplemented from time to time) (the **Sustainable Funding Framework**) ([https://cdn.islandsbanki.is/image/upload/v1/documents/ISB\\_2024\\_sjalfbaer-fjarmalarammi.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_2024_sjalfbaer-fjarmalarammi.pdf)); or
- (c) used to finance any other particular identified use of proceeds as stated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

### ***Green, Social or Sustainability Bonds***

In respect of (b) above, the Sustainable Funding Framework describes the Green or Social Loans to which an amount equal to the net proceeds of an issuance of Green, Social or Sustainability Bonds may be allocated.

The Sustainable Funding Framework has been developed by the Issuer in alignment with the International Capital Market Association (**ICMA**) Green Bond Principles 2021, Social Bond Principles 2023 and Sustainability Bond Guidelines 2021 (the **ICMA Principles**). The Sustainable Funding Framework takes also into account Bonds to Finance the Sustainable Blue Economy: A Practitioner's Guide, published by ICMA together with a number of organisations in September 2023.

The following four core components and recommendation of the ICMA Principles will be adopted by the Issuer in connection with the issue and offering of each of its Green, Social or Sustainability Bonds:

- Use of Proceeds;
- Process for Project Evaluation and Selection;
- Management of Proceeds;
- Reporting; and
- External Review

### ***(A) Use of Proceeds***

#### *Allocation of net proceeds*

Unless otherwise specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Sustainable Funding Framework provides that the Issuer intends to allocate an amount equal to the net proceeds of the Green, Social or Sustainability Bonds to finance or refinance, in whole, or in part, loans financing eligible projects or assets with environmental or social benefits (or a combination of the foregoing) that fall within the "Eligible Project Categories" set out and defined in detail in the Sustainable Funding Framework and described below (**Green or Social Loans**).

### *Eligible Project Categories*

The Eligible Project Categories consist of Green or Social Loans that meet the eligibility criteria outlined in the Sustainable Funding Framework under the following categories (the **Eligible Project Categories**):

<b>Green project categories</b>	<b>Social project categories</b>
Clean transportation	Access to Essential Services – Education and Healthcare
Information technology and communications	Affordable Housing
Energy efficiency	Employment Generation
Pollution prevention and control	Socioeconomic Advancement and Empowerment
Sustainable water and wastewater management	
Renewable energy	
Green buildings	
Sustainable management of living natural resources and land use	
Eco-efficient products	

The Sustainable Funding Framework provides that the designation of the Eligible Project Categories has had and will, on a best efforts basis, have regard to categories of environmental activities that are included in the EU Taxonomy Regulation and that the eligibility criteria for each subcategory of Green Loans has been designed and will be designed, on a best efforts basis, to comply with the technical screening criteria set out in the EU Taxonomy Climate Delegated Act as in effect at the date of the Sustainable Funding Framework, provided, in each case, that there are feasible practical Eligible Project Categories meeting these requirements in the geographies in which the Issuer’s assets are located as a matter of local regulation.

The look-back period for Green or Social Loans that fall within the categories above and that refinance operational expenditures is limited to three years from the date of issue of the relevant Green, Social or Sustainability Bonds. The distribution of allocated Green or Social Loans by category as well as “financing versus refinancing” will be published by the Issuer as soon as possible, or at the latest in the annual Allocation and Impact Report.

In addition to loans for specific eligible projects or assets, the Sustainable Funding Framework also provides for loans for general corporate purposes to “pure-play” green or social companies can be funded with amounts equivalent to the net proceeds of the issue of relevant Green, Social or Sustainability Bonds. The Sustainable Funding Framework describes a “pure-play” company as a company deriving more than 90 per cent. of its revenue from activities that fall within the Eligible Project Categories outlined above.

### *Exclusionary Criteria*

The Sustainable Funding Framework provides that amounts equal to the net proceeds of any Green, Social or Sustainability Bonds will not be used to knowingly finance or refinance, in whole or in part, Green or Social Loans that relate to activities on the Issuer’s “Exclusion List” set out in the Issuer’s Sustainability Policy dated

October 2023 set out on the Issuer's website at [https://cdn.islandsbanki.is/image/upload/v1/documents/Islandsbanki\\_Sustainability\\_Policy\\_English.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/Islandsbanki_Sustainability_Policy_English.pdf).

Among other things, the Exclusion List states what types of businesses and projects are excluded from financing or refinancing by the Issuer, for example:

- Research, mining, or processing of any type of energy production based on fossil fuels (natural gas, oil, coal or peat);
- Production, processing or transactions involving palm oil and its derivatives for energy use;
- All chemical processing of radioactive materials, including mining and mineral processing;
- Research involving animal testing that do not comply with EU or domestic directives;
- Mining and processing of minerals for the sole purpose of being used as gems;
- Sand mines that have a negative impact on ecosystems or are not carried out in accordance with laws on environmental impact assessment;
- Tobacco production.

In addition, the Sustainable Funding Framework provides that no allocations of funds to Green or Social Loans under the Sustainable Funding Framework will be made to activities in research and/or development within weapons and defence, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling, adult entertainment and predatory lending.

#### ***(B) Process of project evaluation and selection***

The Issuer's Sustainability Committee is mandated by the Issuer to meet on a regular basis (at least annually) and conduct a review of the selected loans within the Green and Social Loans categories to ensure ongoing compliance with the eligibility criteria as well as annual reporting requirements. The committee consists of representatives from the Issuer's relevant business areas, representatives from the Risk Management department and the Sustainability Manager. The Sustainability Committee can delegate authority to certain specialists to review selected loans to ensure compliance with eligibility criteria.

The Sustainability Committee will ensure that Green and Social Loans adhere to applicable laws and regulations as well as the Issuer's Sustainability Policy. The Sustainability Committee will also ensure that environmental and social risks potentially associated with the Green and Social Loans are properly mitigated and monitored in accordance with the Issuer's its ESG risk assessment process.

The Sustainable Funding Framework underscores that all loans, including Green or Social Loans, will undergo the Issuer's robust standard credit process which is designed to ensure compliance with applicable domestic and international rules and regulations, Know Your-Customer processes and the Issuer's internal policies and guidelines, such as related to Credit, Anti-Money Laundering, Counter-Terrorist Financing and Sanctions policies. Moreover, potential Environmental, Social, and Governance (**ESG**) risks are assessed. The Sustainable Funding Framework provides that only loans approved in the regular credit process can be eligible for green, social or sustainable funding.

The Sustainability Committee monitors Green and Social Loans on an ongoing basis. Green and Social Loans are recorded in a Sustainability Register. The Issuer's Finance Department will, on behalf of the Sustainability Committee, maintain the Sustainability Register. The Sustainability Register is monitored on a regular basis during the term of the Green, Social and Sustainability Bonds to ensure that the sufficient amounts are allocated to Green or Social Loans. If the Sustainability Committee identifies loans which do not qualify (or continue to



qualify) under the framework, the Sustainability Committee has the authority to remove the loans from the Sustainability Register.

### ***(C) Management of proceeds***

Amounts equivalent to the net proceeds from Green, Social or Sustainability Bonds will be tracked using the Sustainability Register. Green, Social and Sustainability Bonds will be managed on a portfolio level. This means that a Green, Social or Sustainability bond will not be linked directly to one (or more) predetermined Green or Social Loans. Green or Social Loans can, whenever needed, be removed from, or added to the Sustainability Register. Any unallocated net proceeds from the issue of a Green, Social or Sustainability bond temporarily held by the Issuer will be invested in accordance with the internal requirements for the liquidity reserve. Should there be any such unallocated net proceeds, the Issuer will endeavour to allocate them within 18 months. The Finance Department will be responsible for the management of the net proceeds of Green, Social and Sustainability Bonds. See "*Risk Factors - Notes issued with a specific use of net proceeds, such as Green, Social or Sustainability Bonds may not be suitable for the investment criteria of an investor*" for a discussion of potential consequences of any event or failure by the Issuer to apply an amount equal to the net proceeds of any issue of Green, Social or Sustainability Bonds or similar events.

### ***(D) Reporting***

The Sustainable Funding Framework provides that an "Allocation and Impact Report" will be made available on the Issuer's website.

The Allocation and Impact Report will be published at least annually and in the event of any material developments, as long as there are Green, Social or Sustainability Bonds outstanding.

The allocation report will include the following information:

- Total amount of Green, Social or Sustainability Bonds issued
- Allocation of proceeds within each Green or Social Loan category described in "*Eligible Project Categories*" above
- Allocation of proceeds within each Eligible Project Category
- Share of proceeds used for financing/refinancing
- Share of unallocated proceeds (if any)
- On a best effort basis, information on EU Taxonomy eligibility and/or alignment (%) of the underlying Green Loans financed by Green Bonds

The impact report will include details on the environmental or social impact of the Green or Social Loans financed under the Sustainable Funding Framework by reference to prescribed impact indicators, examples of which are set out in the Sustainable Funding Framework. If all necessary data for the impact report cannot be collected, the Issuer commits in the Sustainable Funding Framework to complete the impact assessment/calculations on a best efforts basis.

### ***(E) External reviews***

The Sustainable Funding Framework provides that the Issuer has obtained an opinion from an independent external second opinion provider (the **Second Party Opinion**) from the Second Party Opinion provider Sustainalytics, assessing the credibility and impactfulness of the Sustainable Funding Framework and its alignment with the ICMA Principles. The Second Party Opinion is available on the Issuer's website

<https://cdn.islandsbanki.is/image/upload/v1/documents/ISB-Sustainable-Funding-Framework-Second-Party-Opinion-2023.pdf>).

In addition, the Sustainable Funding Framework provides that a limited assurance report will be obtained by the Issuer on an annual basis from an independent party and in the event of any material developments. The limited assurance report will be published on the Issuer's website.

***(F) Updates***

The Sustainable Funding Framework may in the future be updated to harmonise with market and/or developments within the Issuer. Any such future changes will however not apply to Green, Social or Sustainability Bonds issued under earlier versions of the framework. The Sustainable Funding Framework provides that it does not affect any outstanding Green, Social or Sustainability Bonds issued under the Issuer's Sustainable Financing Framework dated 28 October 2020.

The Sustainable Funding Framework, the Second Party Opinion and any public reporting by or on behalf of the Issuer in respect of the application of proceeds will be available on the Issuer's website but, for the avoidance of doubt, will not be incorporated by reference into or form part of the Base Prospectus.

Any information contained in or accessible through any website, including [https://cdn.islandsbanki.is/image/upload/v1/documents/ISB\\_2024\\_sjalfbaer-fjarmalarammi.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_2024_sjalfbaer-fjarmalarammi.pdf); [https://cdn.islandsbanki.is/image/upload/v1/documents/Islandsbanki\\_Sustainability\\_Policy\\_English.pdf](https://cdn.islandsbanki.is/image/upload/v1/documents/Islandsbanki_Sustainability_Policy_English.pdf) and <https://cdn.islandsbanki.is/image/upload/v1/documents/ISB-Sustainable-Funding-Framework-Second-Party-Opinion-2023.pdf>, does not form a part of the Base Prospectus, unless specifically stated in the Base Prospectus, in any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Base Prospectus that all or any portion of such information is incorporated by reference in the Base Prospectus.

## DESCRIPTION OF THE ISSUER

### *NAME, INCORPORATION AND REGISTRATION*

The Issuer's legal and commercial name is Íslandsbanki hf. The Issuer is a public limited company incorporated in Iceland on 14 October 2008. It is registered with the Register of Enterprises (*Fyrirtækjaskrá Skattisins*) in Iceland and bears the registration number 491008-0160. The registered office of the Issuer is at Hagasmári 3, 201 Kópavogur, Iceland, and the telephone number is +354 440 4000. The Issuer's homepage is: [www.islandsbanki.is](http://www.islandsbanki.is). The information on the Issuer's website does not form part of this Base Prospectus unless such information is incorporated by reference into this Base Prospectus.

The Issuer's operations are subject to the provisions of the Act on Public Limited Companies No. 2/1995 and the Act on Financial Undertakings. The Issuer is authorised to provide all financial services stipulated in the latter Act. Its activities are under the supervision of the FSA.

### *HISTORY & DEVELOPMENT OF THE ISSUER*

The Issuer traces its roots back to 1904 when the original Íslandsbanki hf. was founded as the first privately-owned bank in Iceland. Útvegsbanki Íslands took over Íslandsbanki's operations in 1930 and in 1990 Útvegsbanki Íslands, Alþýðubanki Íslands, Iðnaðarbanki Íslands and Verslunarbanki Íslands merged into Íslandsbanki hf. In 2000, Íslandsbanki hf. merged with The Icelandic Investment Bank (**FBA**), which itself was created through the merger of three state-owned credit funds, forming Íslandsbanki-FBA hf. As a result of the merger, the bank further solidified its connections with the corporate sector, particularly in the seafood industry. In the years 2000 to 2007, the bank expanded its business beyond Iceland by first lending to seafood enterprises in northern Europe and North America, and later through strategic acquisitions in the Nordic countries. In March 2006, the bank was rebranded as Glitnir banki hf. (all the aforementioned banks collectively referred to as **Glitnir**).

Following the collapse of the Icelandic banking system in October 2008, by decree of the newly passed Act on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc. No. 125/2008, the Issuer assumed the domestic assets and liabilities of Glitnir while the remainder of Glitnir's assets, which were mostly foreign assets, were left within Glitnir under the supervision of a Resolution Committee (**Resolution Committee**) which was appointed to maximise the recovery value of those assets for the benefit of its creditors. The Issuer, initially named New Glitnir Banki hf., reverted back to its previous brand name of Íslandsbanki hf. on 20 February 2009.

On 13 September 2009, Glitnir, on behalf of its creditors, and the Icelandic government reached an agreement on the settlement of assets and liabilities between the Issuer and Glitnir. Under the agreement the Resolution Committee acquired a 95 per cent. stake in the Issuer. Glitnir therefore assumed majority control of the Issuer and a new board of directors of the Issuer (the **Board of Directors**) was appointed on 25 January 2010. The 95 per cent. stake was owned by ISB Holding ehf., a holding company wholly owned by GLB Holding ehf., a subsidiary of Glitnir. In January 2016, Glitnir signed an agreement to deliver the 95 per cent. stake to the Icelandic government as part of the estate's stability contribution. The change was approved by the Competition Authority on 11 March 2016.

In June 2011 the Issuer announced that it had successfully won a public bid for the entire share capital of Byr hf., a local bank in Iceland. Byr hf. focused mainly on retail banking and was built on the foundation of an older savings bank which became insolvent in April 2010. The shares were acquired from the Byr hf.'s savings bank winding up committee and the Icelandic government. The acquisition price was ISK 6.6 billion. The acquisition agreement was executed on 29 November 2011 and the acquisition was completed in the first quarter of 2012. In March 2011, the Issuer acquired all shares of the credit card company, Kreditkort hf. and on 27 March 2012 Kreditkort hf. was merged into the Issuer.

Between 2017 and 2019, the Issuer underwent a digital transformation. In 2018, the Board approved an open banking strategy and the Issuer successfully replaced its core banking system, including an effective migration of an old legacy system to a global standardised core banking system for payments and deposits.

In 2021, the Issuer's shares were admitted to trading on the Nasdaq Main Market in Iceland.

### ***CREDIT RATING***

The Issuer has been assigned credit ratings by the rating agencies S&P and Moody's. The rating Moody's has given in relation to the Issuer is endorsed by Moody's Deutschland GmbH. S&P and Moody's Deutschland GmbH are registered in the EU in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the **Credit Rating Agency Regulation**). S&P rates the Issuer BBB+ (long term debt) and A-2 (short term debt) with stable outlook. Moody's rates the Issuer A3 (long term debt) with stable outlook.

### ***BUSINESS OVERVIEW***

The Issuer is an Icelandic bank headquartered in Iceland. Its primary market is Iceland.

The Issuer is licensed as a commercial bank in Iceland in accordance with Point 1 of Art. 4(1) of the Act on Financial Undertakings and offers comprehensive services to the retail and corporate sectors. The Issuer is one of Iceland's three main banks and maintains a strong market share across the spectrum of banking services in the country. According to Capacent Gallup market surveys in 2022, the Issuer had approximately 31.1 per cent. of the market share in consumer banking, 36.3 per cent. of the market share in small to medium-sized enterprise banking and 35.5 per cent. of the market share of corporate & investment banking. The Issuer seeks to move Iceland forward by empowering its customers to succeed and prioritise sustainability as an integral driver of strategy and value creation.

The Issuer's core values are passion, professionalism and collaboration. 76 per cent. of employees of the Issuer believe that the Issuer is a force of positive change and believe in the strategy of the Issuer. Employee satisfaction has been consistently high.

The Issuer operates 12 branches, half of which are based around the Reykjavík metropolitan area. It also maintains a presence in larger municipalities across Iceland.

#### The Issuer's business lines are as follows:

*Personal Banking:* provides customers with a comprehensive range of financial services, with strong emphasis on digital distribution channels.

*Business Banking:* provides small and medium-sized enterprises (**SMEs**) with comprehensive financial services. Ergo, the Issuer's asset financing service, is also part of Business Banking

*Corporate & Investment Banking:* offers a full range of financial and investment banking services to large companies, pension funds, municipalities, mutual funds, investors and affluent individuals.

#### *Personal Banking*

Personal Banking offers a full range of financial services for individuals and households, such as lending, savings and payments, with a particular focus on digital and self-service solutions. The Issuer's customers are increasingly taking care of their day-to-day banking via digital solutions, such as mobile apps, online banking and the secure web chat. Customers can also visit the Issuer's efficient branch network for comprehensive consultancy services or contact the contact centre.

#### *Business Banking*

Business Banking provides comprehensive banking services and versatile banking products to SMEs, such as lending, savings products and payment solutions offered through business banking centres in Kópavogur and Akureyri, including 10 strategically located branches around Iceland and via online banking and mobile apps. Additionally, the Issuer provides asset-based financing services through its separate brand, Ergo. The Business Banking contact centre is operated from Norðurturn, the headquarter branch. The Issuer has been a market leader within the SME market, with 36.3 per cent. market share in 2022 (source: Gallup) and has consistently scored highest in service amongst peers according to the same surveys.

### *Corporate & Investment Banking*

Corporate & Investment Banking provides services to large companies, municipalities, institutional investors and high net worth individuals. The product and services offering is a comprehensive range of financial and investment banking services, including lending, securities and currency brokerage, corporate advisory services, private banking services and sales of hedging instruments. The division is focused on building and maintaining relationships across all industry divisions within Iceland. Outside of Iceland, the division has a special focus on the North Atlantic seafood industry, leveraging its expertise in the domestic market and global contacts.

### *Support Divisions*

#### *Finance*

The Finance division includes finance and accounting operations as well as treasury and financial institutions, back-office functions and investor relations. This division also manages and oversees shareholding in the Issuer's subsidiaries.

#### *Risk Management*

The Issuer has an independent risk management function, Risk Management, headed by the Chief Risk Officer. Risk Management is responsible for ensuring efficient implementation of the Issuer's risk strategy and policies, for verifying that the Issuer has efficient risk management processes in place and that each key risk that the Issuer faces is identified and properly managed by the relevant function.

#### *IT*

The IT division is responsible for the Issuer's IT platform and systems and software development, including internet banking, websites, and its hardware, such as data centres, telephone systems, ATMs and personal computers.

#### *Compliance*

The Compliance division has an independent position within the Issuer's organisational structure. The Compliance division's function is to assist in managing compliance risk on a consolidated basis. Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Issuer may suffer because of its failure to comply with applicable laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct. The Compliance division, in cooperation with Group Internal Audit, performs a special fit and proper test by gathering information via questionnaires and examinations to management and key employees.

#### *Group Internal Audit*

Group Internal Audit is an independent function headed by the Chief Audit Executive and is responsible for assessing whether the Group's risk management, internal control framework (including internal policies) and governance processes are effective and efficient and whether they comply with the relevant legal and regulatory requirements. Group Internal Audit is not responsible for internal control or its implementation but

provides the Group with independent, objective assurance and consulting services designed to add value and improve the Group's operations.

The work of Group Internal Audit is performed in accordance with a risk-based audit plan approved by the Board's Audit Committee. Group Internal Audit is furthermore responsible for internal investigations on suspected fraudulent activities. Group Internal Audit reports directly to the Board on its findings and suggestions for material improvements to the risk management, controls and governance processes. All audit recommendations are subject to a formal follow-up procedure by the appropriate levels of management to ensure and report their resolution.

The Chief Audit Executive is appointed by the Board and reports directly to the Board. Group Internal Audit operates independently from other departments in accordance with Article 16 of the Act on Financial Undertakings. The responsibilities and authorisations of the Chief Audit Executive and Group Internal Audit are further outlined in the Group Internal Audit Charter.

## **REGULATORY AND TAX ENVIRONMENT**

### *Capital Requirements and European Bank Recovery and Resolution Directive*

The Issuer's capital management framework is based on CRD IV, which is an EU legislative package consisting of Directive 2013/36/EU of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time and Regulation 575/2013/EU (**CRR**). The enactment of the CRD IV Directive has been implemented into Icelandic law and has involved numerous amendments of the Act of Financial Undertakings.

The CRR was enacted into Icelandic law by the entry into force of Regulation No. 233/2017 on 6 March 2017, although Articles 500 and 501 of CRR, the latter one stipulating capital requirements deduction for credit risk on exposures to SMEs, came into effect on 1 January 2020 following the incorporation of CRR into the EEA Agreement.

On 11 May 2021, the Parliament enacted an amendment to the Act on Financial Undertakings. The most notable amendments enable the Minister to implement Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 (**CRR II**) and EU Regulation 2019/630 amending CRR. Moreover, the amendments enabled the Central Bank of Iceland to implement related secondary EU legislation based on technical standards, which have already been incorporated into the EEA Agreement. Those amendments entered into force on 28 June 2021.

On 2 July 2014, Directive 2014/59/EU providing for the establishment of 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 purpose of the BRRD is to equip the relevant regulatory authorities with a range of powers so that they may intervene in an ailing or distressed entity so as to ensure its continuity and minimise any potential impact on the economy and financial system.

BRRD has been implemented into Icelandic law by means of a combination of legislative acts. First, the passage of Act No. 54/2018, amending the Act on Financial Undertakings, implemented the BRRD provisions focusing on recovery plans and timely intervention to prevent an economic shock to financial institutions operating in Iceland.

Second, the enactment of the Recovery and Resolution Act further amended the Act on Financial Undertakings and implemented the parts of the BRRD that provide for the resolution process, from preventive measures and preparation, to decision-making and the implementation of each resolution. Under the Recovery and Resolution Act, the Central Bank of Iceland possesses powers of resolution and can take action and prepare and execute resolution procedures on behalf of credit institutions and investment firms.

On 4 May 2021, the Parliament passed a bill that implements Directive 2017/2399/EU with regard to the position of unsecured debt instruments in the insolvency hierarchy and amends the Recovery and Resolution Act accordingly. The Act further implemented conformation amendments to the Act on Financial Undertakings and the Deposit Insurance Act.

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 bank's ability to withstand potential shocks and strengthen the banking union from 28 December 2020. On 28 June 2022, the Parliament passed a bill, amending the Act on Financial Undertakings implementing the remaining features of CRD IV, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU (**CRD V**) and CRR II into Icelandic legislation. Moreover, the bill implemented some provisions of the BRRD II in order to enable full implementation of the CRR II. BRRD II was incorporated into the EEA Agreement by EEA Joint Committee Decision No 145/2022 and implemented into Icelandic law with Act No. 63/2023, amending the Recovery and Resolution Act. However, some technical provisions of the BRRD II have not been implemented into Icelandic law as at the date of this Base Prospectus.

Prospective investors in the Notes should consult their own advisers as to the consequences of the implementation of BRRD and BRRD II, CRD IV and the CRR, as well as further changes to capital adequacy and liquidity requirements in Iceland.

#### *Tax Environment*

The Issuer's results of operations depend, to a certain extent, on tax laws and tax treaties or the interpretation thereof.

In December 2010, the Icelandic Parliament passed the Act on Special Tax on Financial Undertakings under which certain types of financial institutions, including the Issuer, are required to pay an annual levy (the **Bank Levy**) of the carrying amount of their liabilities as determined for tax purposes. This levy was originally 0.041 per cent. but, in December 2011, a transitional provision was introduced under which financial institutions had to pay an additional 0.0875 per cent. of their tax base as assessed for the years 2012 and 2013. 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. This levy remained unchanged until 1 January 2020 when it was reduced to 0.145 per cent. Non-financial subsidiaries are exempt from this tax. There can be no assurance that the levy will not be further increased.

In June 2009, the Icelandic Parliament adopted an amendment to the ITA as a result of which payments of Icelandic sourced interest by an Icelandic debtor, such as the Issuer, to a foreign creditor, including holders of Notes who are not Icelandic, are taxable in Iceland at the current rate of 12 per cent. for individuals and 13 per cent. for legal entities. However, individuals are not subject to taxation on interest income up to ISK 300,000 per year. This tax is applicable unless the foreign creditor can demonstrate and obtain approval from the Directorate of Internal Revenue in Iceland 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. Notes issued by energy companies and certain financial institutions, including notes issued by the Issuer, are also subject to exemption. The exemption, subject to certain other requirements, applies to notes that are held through a clearing system, such as Euroclear and Clearstream, Luxembourg, within a member state of the OECD, the EEA, a founding member state of the EFTA or the Faroe Islands.

In December 2011, the Icelandic Parliament passed the Act on Tax on Financial Activities, No. 165/2011, under which certain types of financial institutions, including the Issuer, were required to pay a special

additional tax levied on all remuneration paid to employees, with effect from 1 January 2012. The levy is currently set at 5.5 per cent. of such remuneration. Additionally, Act No. 165/2011 amended Article 71 of the ITA, regarding income tax of legal entities, and imposed a special additional income tax on legal entities liable for taxation according to Article 2 of Act No. 165/2011, which includes the Issuer. The levy is set at 6 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.

## ORGANISATIONAL STRUCTURE

As of 31 December 2023, the Icelandic government, through ISFI, holds 42.5 per cent. of the Issuer’s share capital. See “*Business Overview — Major Shareholders*”.

The following chart illustrates the Issuer’s organisational structure:

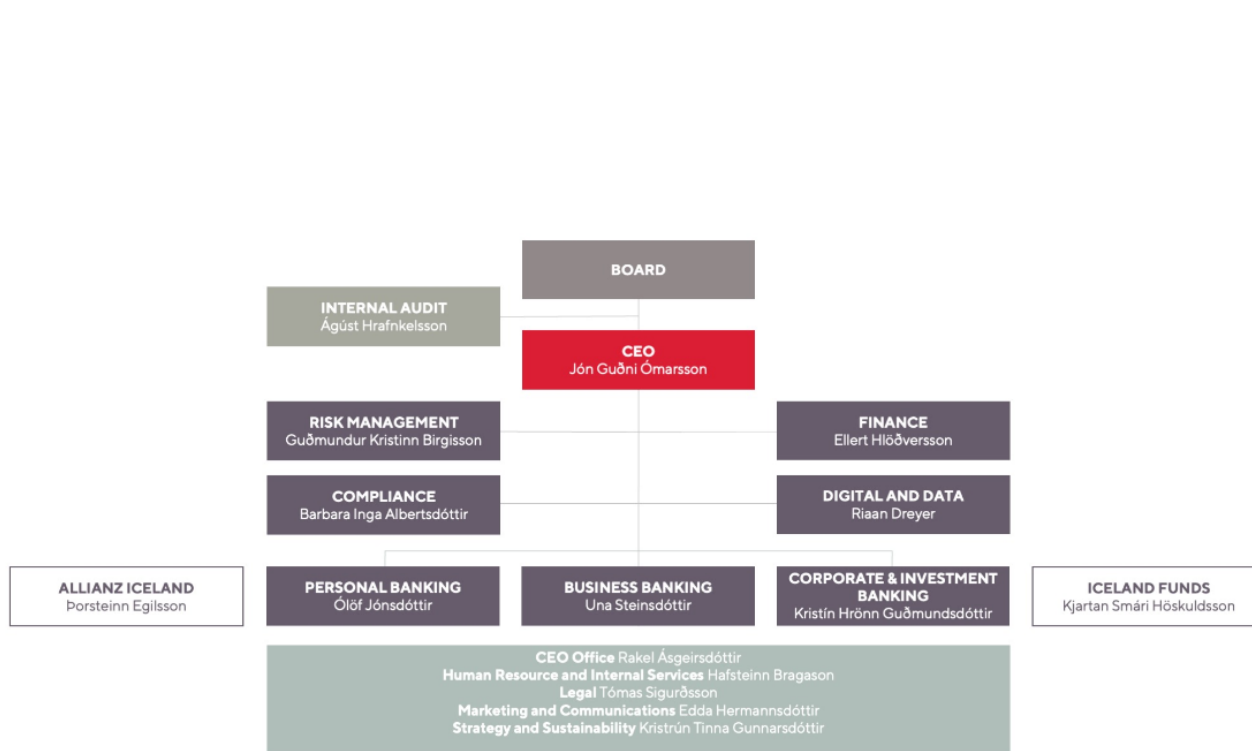


Figure 1: Organisational Structure

The table below lists the Issuer’s significant subsidiaries and the nature of their business as of 31 December 2023:

Subsidiary	Ownership	Company Description
Íslandssjóðir hf.	100 per cent.	Investment fund management company
Allianz Ísland hf. and other non-significant subsidiaries.	100 per cent.	Insurance agent

### Trend Information

No material adverse changes have occurred in the prospects of the Issuer since the date of its last published audited financial statements.



## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

### **Board of Directors**

The Issuer's Board of Directors consists of seven members. Two alternate members are also appointed. The Board of Directors appoints the Chief Executive Officer and the Chief Audit Executive. The Chief Executive Officer appoints the Managing Directors of the Issuer.

The business address of each member of the Board of Directors and of the executive committee of the Issuer (the **Executive Committee**) is Íslandsbanki hf., Hagasmári 3, 201 Kópavogur, Iceland.

Set forth below are the members of the Issuer's Board of Directors:

<b>Name</b>	<b>Title</b>
Ms. Linda Jónsdóttir	Chairman of the Board of Directors
Mr. Agnar Tómas Möller	Member of the Board of Directors
Mr. Haukur Örn Birgisson	Member of the Board of Directors
Ms. Helga Hlín Hákonardóttir	Member of the Board of Directors
Mr. Stefán Pétursson	Member of the Board of Directors
Mr. Stefán Sigurðsson	Member of the Board of Directors
Ms. Valgerður Hrund Skúladóttir	Member of the Board of Directors

#### *Ms. Linda Jónsdóttir (Chairman of the Board of Directors)*

Linda Jónsdóttir joined the Board in July 2023. Linda was the Chief Operating Officer of Marel hf. from 2022-2024, having been Chief Financial Officer 2014-2022 and Corporate Director of Treasury, Financing and Investor Relations from 2009-2014. Linda is an accomplished leader and has accumulated broad experience of management, finance, IT and operations through her various roles at Marel hf., a company with around 7,500 employees in over 30 countries delivering annual revenues of EUR 1.7 billion. She also has extensive experience from the domestic sector through her prior roles at Icelandic companies like Eimskip hf., Burðarás and Straumur Investment bank. Today, Linda is a board member of the University of Iceland Science Park and has also been on the board of the Iceland Chamber of Commerce and the Iceland Enterprise Investment Fund. Linda has a MSc in Finance from Reykjavík University, a cand. oecón degree in Business Administration from University of Iceland, and is a licensed securities broker by the Icelandic Ministry of Finance and Economic Affairs.

#### *Mr. Agnar Tómas Möller (Member of the Board of Directors)*

Agnar Tómas Möller joined the Board in March 2023. Agnar has an extensive experience of the financial market, especially the bond market. Currently an independent consultant, he previously worked for Kvika Asset Management hf. as bond fund manager from 2018-2022. From 2009 to 2018 he worked at GAMMA Capital Management hf., also managing bond funds, and prior to that he worked in bond brokerage at Kaupþing bank hf. in 2006-2008. Agnar holds an MSc in Industrial Engineering from the University of Iceland and a BA in History from the same school. He is a director of ATM ehf.

#### *Mr. Haukur Örn Birgisson (Member of the Board of Directors)*

Haukur Örn Birgisson joined the Board in July 2023. Over the past two decades, Haukur has worked as an attorney, including as a self-employed attorney for 15 years. He has been an attorney at the Supreme Court since 2011. In his work, Haukur has protected the interests and provided advice to small and large companies, individuals, municipalities and foreign companies and tackled numerous legal issues and countless court proceedings. He has managed the operations of Iceland Legal, as owner and managing director, since the foundation of the law firm in 2008 until 2023. Since then he has been a partner at FIRMA Legal Services. Haukur holds a cand. jur. from the University of Iceland and is a Licensed Supreme Court Attorney.

*Ms. Helga Hlín Hákonardóttir (Member of the Board of Directors)*

Helga Hlín Hákonardóttir joined the Board in July 2023. Helga is a partner and consultant at Strategía. Helga founded and practiced as an attorney at Lixia law firm in the years 2011-2014. Helga was the co-founder and Managing Director of Legal at Saga Fjárfestingarbanki hf. in 2006-2011. Helga was an attorney at Straumur-Burðarás Investment Bank hf. from 2005-2006. Helga worked at Íslandsbanki hf. in the years 2000-2005 and as a financial markets lawyer at Fjárfestingarbanki Atvinnulífsins hf. in the years 1998-2000 and the Iceland Stock Exchange in the years 1996-1998. Helga is a member of the board of Rue de Net. Helga has been on the boards of mark.is as chairman, Verðbréfaþing Ísland as alternate, Skeljungur hf., Summa Rekstrarfélag hf., Greiðsluveitan, Icelandic Chamber of Commerce, Festi hf., Krónan hf., Vís hf. as chairman, Lífís as alternate, WOW air hf., Meniga Ltd. and on the The University Council of Akureyri University. Helga holds a cand. jur. from the University of Iceland, is a Licenced District Court Attorney and a securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs.

*Mr. Stefán Pétursson (Member of the Board of Directors)*

Stefán Pétursson joined the Board in July 2023. Stefán has extensive experience in the corporate and financial market, both as a manager and director. From 1992 to 2010 he worked for the National Power Company Landsvirkjun as funding manager, head of the finance department and CFO for the last eight years. As CFO, Stefán took an active part in formulating the company's strategy, in addition to directing its profitability analyses, finances and funding. He was also on Landsvirkjun's negotiation committee with large customers. From 2010 to 2021 Stefán was CFO of Arion Bank hf., where he played an important role in rebuilding the bank, formulating its new strategy and strengthening trust in the bank, both nationally and internationally. Stefán also had a key role in the public listing of Arion Bank hf. in Iceland and Sweden and its sale to domestic and foreign investors. Since 2022, Stefán has worked as CFO of the drug development company EpiEndo Pharmaceuticals ehf. The company, which is owned by domestic and foreign investors, is working on the development of a drug to treat emphysema which is in phase 2 clinical trials. Stefán has considerable experience of board work, as he was Chairman of the Board of the savings bank Afl sparisjóður ses. and a director of Valitor hf., Landfestar ehf., Landey ehf., TIF and other entities. He also served on the Board of the Iceland Chamber of Commerce, is a member of project management of the ÍL fund and on the Board of Margildi ehf. Stefán holds a cand. oecon. degree in Business Administration from the University of Iceland and an MBA degree from Babson College in Boston.

*Mr. Stefán Sigurðsson (Member of the Board of Directors)*

Stefán Sigurðsson joined the Board in March 2024. Sigurður has worked in the financial sector for most of his career. He has an extensive experience in the operation of banks and the activities of financial undertakings, as he has worked as Managing Director of Wealth Management at Íslandsbanki in the years 2008-2014 as a member of the bank's Executive Committee, Executive Director and later Managing Director of Strategic Development at Glitnir and before that as Associate of Corporate Finance at Glitnir in Denmark. He also served as Senior Trader at Íslandsbanki in 1998-2000. Stefán also has comprehensive knowledge of management and strategic planning and was the CEO of SÝN hf. (Vodafone Iceland) in the years 2014-2019. He has vast experience as a manager in implementing strategic changes among senior management and other employees. He is currently based in Denmark and works on own projects and as an independent advisor. Stefán currently is Chairman of the Board at Verðbréfamiðstöð Íslands hf., and a board member of FÓLK Reykjavík ehf., Isavia ANS ehf., North Ventures ehf. and North Ranga ehf. He has served as board member at Iceland's Chamber of

Commerce and Island Fund S.A. in Luxemburg. Stefán has an MSc in Economics from the University of Copenhagen and a BSc in Economics from the University of Iceland.

*Ms. Valgerður Hrund Skúladóttir (Member of the Board of Directors)*

Valgerður Hrund Skúladóttir joined the Board in March 2024. Valgerður has worked in IT for the past 30 years. She is the founder of Sensa, an IT services company, and its managing director since its inception (2002). Prior to that she was, among other things, managing director of corporate sales and infrastructure solutions at TækniVal. She has served as director of the IT companies Staki Automation and Talenta, Siminn DK and Sensa A/S and is currently a director of the fintech company Memento and Erit ehf. She sat on the board of Íslandsbanki, Confederation of Icelandic Employers, the Federation of Icelandic Industries and on its Intellectual Property Council, served as Chairman of the Board for the Federation of IT companies (SUT) and is currently a board member of the Reykjavik Forestry Association and an alternate board member of the Board of the Classical Dance School and Business Iceland. Valgerður has a CSc in Electrical Engineering from the University of Iceland and an MBA from the University of Miami.

The alternate members of the Issuer’s Board of Directors are as follows:

Name	Title
Ms. Herdís Gunnarsdóttir	Alternate Member of the Board of Directors
Mr. Páll Grétar Steingrímsson	Alternate Member of the Board of Directors

*Ms. Herdís Gunnarsdóttir (Alternate Member of the Board of Directors)*

Herdís Gunnarsdóttir is the CEO of the Quality and Supervisory Agency of Welfare. Herdís holds an MBA from the University of Iceland and an MSc and BSc in nursing from the University of Iceland.

*Mr. Páll Grétar Steingrímsson (Alternate Member of the Board of Directors)*

Páll Grétar Steingrímsson is an independent consultant, director at Skrifstofufélag Austurlands ehf. and serves as an external member of the Issuer’s Audit Committee. Páll holds a cand. oecon. in Business Administration from the University of Iceland and is a Chartered Accountant.

#### *Nomination Committee*

In accordance with the Issuer’s Articles of Association, the Issuer operates a nomination committee (the **Nomination Committee**) whose role is to nominate individuals to the Issuer’s Board of Directors at the Annual General Meeting, or as the case may be at a shareholders’ meeting where elections for the Board of Directors are on the agenda. The members of the Nomination Committee shall be three, elected for one year at a time by the Board of Directors. The committee shall be independent in its work and the majority of the committee’s members shall be independent of the company and its senior management. The Nomination Committee consists of Helga Valfells, as Chairman, Linda Jónsdóttir, Chairman of the Board of Directors, and Hilmar Garðar Hjaltason. Along with the Issuer’s Nomination Committee, ISFI operates a special three-member Selection Committee which, on behalf of the state, nominates candidates for the supervisory boards or boards of directors of banks or undertakings that are managed by ISFI. According to the Relationship Agreement between the Issuer and the ISFI, the Issuer’s Nomination Committee and the ISFI Selection Committee shall ensure that when the Board of Directors is elected, the candidates for election to the Board of Directors meet the requirements on composition according to law, both as concerns breadth of experience as well as gender representation. The Rules of Procedure of the Issuer’s Nomination Committee are published on the Issuer’s website.

## *Senior Management*

The Executive Committee consists of the following members:

### *Mr. Jón Guðni Ómarsson, Chief Executive Officer*

Jón Guðni Ómarsson has served as Chief Executive Officer since June 2023. From 2011 until he was appointed CEO, Jón Guðni served as Chief Financial Officer of Íslandsbanki. Jón Guðni was Head of Treasury at the Bank from 2008-2011. He has had various other roles within the Bank and its predecessors, including advising customers on hedging strategies and leading arrangements and participations in syndicated loans. He also worked as an ALM consultant at SunGard in Boston. Jón Guðni holds a BSc degree in Industrial Engineering and an MSc degree in Quantitative and Computational Finance (QCF) from Georgia Institute of Technology in Atlanta. Jón Guðni has an AMP from Harvard Business School. Jón Guðni is a Chartered Financial Analyst (CFA) and a securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs. Jón Guðni has been with Íslandsbanki and its predecessors since 2000.

### *Mr. Ellert Hlöðversson, Chief Financial Officer*

Ellert Hlöðversson has served as Chief Financial Officer since January 2024. Ellert has extensive experience in the financial markets and has been with Íslandsbanki since 2010, most recently as Executive Director of the Bank's Corporate Finance. Prior to that he served as Executive Director of Íslandsbanki's Securities Brokerage and a director within the Bank's Corporate Finance team, where he led many of the largest advisory roles which the Bank engaged in, including mergers and integration of companies as well as various kinds of financing transactions. Ellert holds a BSc degree in Electrical Engineering and MSc degree in Financial Engineering from the University of Iceland and is a securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs.

### *Ms. Barbara Inga Albertsdóttir, Chief Compliance Officer*

Barbara Inga Albertsdóttir has served as Chief Compliance Officer since November 2023. Barbara previously served as Global Head of Regulatory Change at Deutsche Bank, where she was responsible for managing regulatory changes where the focus was on analysing the opportunities the changes would have on the bank's operations. Barbara has also worked for Wells Fargo and both the UK Financial Conduct Authority as well as the Financial Supervisory Authority in Iceland. Barbara has i.a. worked on transformation management within Íslandsbanki. Barbara has a bachelor's degree and a M.L. degree in Law from the University of Iceland and an LLM in International Financial Law from King's College London. Barbara has been with Íslandsbanki since 2023.

### *Mr. Guðmundur Kristinn Birgisson, Chief Risk Officer*

Guðmundur Kristinn Birgisson has served as Chief Risk Officer since October 2018. He joined Íslandsbanki in 2011 as Executive Director of Risk Monitoring where he oversaw the implementation of the Bank's Operational Risk Management Framework and monitoring of the execution of credit processes. From 2017 until he was appointed CRO, Guðmundur served as Executive Director of Lending in the Bank's Personal Banking Division. Guðmundur has a wide range of professional experience and has for example served as Assistant Professor of Mathematics Education and Dean of Undergraduate Studies at the Iceland University of Education. Guðmundur holds a PhD degree in Mathematics Education from Indiana University and a BA in Philosophy and Science from the University of Iceland. He has been with Íslandsbanki since 2011.

### *Ms. Kristín Hrönn Guðmundsdóttir, Managing Director of Corporate & Investment Banking*

Kristín Hrönn Guðmundsdóttir has over 20 years' experience as a manager in financial markets. Kristín Hrönn led the Sales and Services team within CIB from 2013 to 2019 when she assumed the role of Executive Director of Finance, Operations and Strategic planning within CIB. She has further served as a member of the Bank's Credit Committees, Asset and Liability Committee and Investment Council. Kristín Hrönn has wide-ranging

experience in Leveraged and Structured Finance and Private Equity both locally and in the London market. Kristin Hrönn holds a bachelor's degree in Economics from the University of Iceland, has completed an AMP Management Programme from IESE Business School in Barcelona and is a securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs. She has been with Íslandsbanki since 2008.

*Mr. Riaan Dreyer, Managing Director of Digital and Data*

Riaan Dreyer has served as Managing Director of Information Technology since September 2019. He has been in various Chief Information Officer roles in South Africa, most notably Standard Bank and Liberty Life, before he relocated to Iceland in 2016. He then joined Meniga within the Engineering space after which he joined Arion as the Head of Development. Riaan holds a master's degree in Information Technology from the University of Pretoria, South Africa in addition to bachelor degrees in Actuarial Science and Economics. He has also completed the Advanced Management Programme from IESE, Barcelona. He has been with Íslandsbanki since 2019.

*Ms. Ólöf Jónsdóttir, Managing Director of Personal Banking*

Ólöf Jónsdóttir has served as Managing Director of Personal Banking since February 2024. Ólöf has extensive experience in the financial markets. She was Managing Director of Commercial Banking at Kvika banki hf. and held various different management positions within Kvika banki where she led the innovation and development of fintech solutions. Prior to that she worked for Auður Capital and Virðing from 2008 until its merger with Kvika banki. Ólöf has a BSc in Mechanical- and Industrial Engineering from the University of Iceland and an MSc in Operations Research and Analytics from London School of Economics. Ólöf is a securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs. Ólöf has been with Íslandsbanki since 2024.

*Ms. Una Steinsdóttir, Managing Director of Business Banking*

Una Steinsdóttir has served as Managing Director of Business Banking since May 2017. She joined Íslandsbanki in 1991 and has a broad background from varied divisions within the Bank. Una was Managing Director of Retail Banking from October 2008 until May 2017, Managing Director of the Bank's branch network from 2007-2008, and Keflavík Branch Manager from 1999. Prior to that she held various positions in the Bank's International Banking division, loan supervision and service management. Una holds a cand. oecon. degree in Business Administration from the University of Iceland and has completed an AMP management programme from IESE, Barcelona. She has been with Íslandsbanki and its predecessors since 1991.

***Potential Conflict of Interest***

The Issuer has identified the following as a possible conflict of interest situation:

- Herdís Gunnarsdóttir is not considered independent of the Issuer and its major shareholders on account of her employment with the Icelandic Government which is a large shareholder of the Issuer.

Besides this situation, no member of the Board of Directors or the Executive Committee has any private interest that might conflict with the Issuer's interests.

The Issuer's Conflict of Interest policy promotes adherence to applicable laws and regulations and sets out the principles for the identification and appropriate and reasonable management of conflicts of interest.

Moreover, the Issuer's Code of Conduct is intended to promote sound governance practices within the Issuer and to support the regulatory framework applying to its activities. It contains important guidelines for employees, including measures to prevent conflicts of interest.

*Major Shareholders*

As of 31 December 2023, the Icelandic state, through the ISFI, held 42.5 per cent. of the Issuer's share capital (42.9 per cent. when calculated by excluding treasury shares held by the Issuer).

As of 31 December 2023, each of the following shareholders own more than 3 per cent. of the Issuer's shares:

<b>Shareholder</b>	<b>% of Bank's Share Capital</b>
ISFI	42.50%
LSR Pension Fund	8%
Gildi Pension Fund	7.9%
Live Pension Fund	6.3%
Capital Group	5.6%
Brú Pension Fund	3.3%

### *Voting Rights*

Each share carries one vote. Accordingly, all shareholders have voting rights in proportion to their percentage of share ownership.

### *Direct or Indirect Control by Individual Shareholders*

Other than ISFI, the Issuer is not aware of any individual shareholder or group of connected shareholders who directly or indirectly control the Issuer. At the date of this Base Prospectus there are no arrangements known to the Issuer the operation of which may at a subsequent date result in a change of control of the Issuer. According to the Icelandic State Budget for the year 2024, the Icelandic state intends to sell its share in the Issuer in full over the next two years, the first half in the year 2024 and the remainder in the year 2025. The ISFI is a separate state body under the Minister of Finance and Economic Affairs and manages the government's holdings in financial undertakings. In 2022, the Icelandic state announced its intention to propose the abolishment of the ISFI to the Icelandic legislator and implementing a new system for the management of the state's holdings in financial undertakings. At the date of this Base Prospectus, no action to this effect has been taken. The ISFI manages its holdings in the Issuer in accordance with applicable law, good administrative and business practices and the government's ownership policy for financial undertakings at each time. The government's ownership policy is based on Article 44 of the act No. 123/2015 on public finances and Article 1 of Act No. 88/2009 on the ISFI.

## **FINANCIAL INFORMATION**

### *IFRS*

The consolidated financial statements of the Issuer as of and for the years ended 31 December 2022 and 31 December 2023 were prepared in accordance with the IFRS as adopted by the EU.

### *Auditors*

The consolidated financial statements as of and for the year ended 31 December 2023 were audited by Deloitte ehf., Dalvegur 30, 201 Kópavogur, Iceland. The consolidated financial statements as of and for the year ended 31 December 2022 were audited by Ernst & Young ehf., which voluntarily relinquished its license in December 2023. Geir Steindórsson was the Issuer's auditor on behalf of Deloitte ehf. He is a member of the Institute of State Authorized Public Accountants in Iceland.

### *Latest Financial Statements*

The latest audited consolidated financial statements as of and for the year ended 31 December 2023 were published on 8 February 2024.

To the Issuer's best knowledge, no significant changes have occurred in the financial position of the Issuer since the end of the last financial period.

### *Explanatory Notes*

Detailed information regarding the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are accessible in the explanatory notes in the relevant financial statements incorporated by reference in this Base Prospectus.

### *Selected Financial Information 2022 and 2023*

The following is a summary of the Issuer's consolidated financial statements as of and for the years ended 31 December 2022 and 31 December 2023. This information should be read together with each consolidated financial statement due to changes in methodology between years. The Issuer's consolidated financial statements as of and for the years ended 31 December 2022 and 31 December 2023 can be found on the Issuer's website: <https://www.islandsbanki.is/en/landing/about/investor-relations>. The Issuer's profit as of and for the year ended 31 December 2023 amounted to ISK 24,585 million, which corresponded to a 11.3 per cent. return on equity. Total equity amounted to ISK 224,693 million as of and for the year ended 31 December 2023. The Issuer's total capital ratio, calculated according to the Act on Financial Undertakings, was 25.3 per cent. and its Tier 1 ratio was 22.5 per cent. in excess of both internal and regulatory requirements. The Issuer's total assets amounted to ISK 1,583 billion as of and for the year ended 31 December 2023.

The Issuer's profit as of and for the year ended 31 December 2022 amounted to ISK 24,535 million, which corresponded to a 11.8 per cent. return on equity. Total equity amounted to ISK 218,874 million as of and for the year ended 31 December 2022. The Issuer's total capital ratio, calculated according to the Act on Financial Undertakings, was 22.2 per cent. and its Tier 1 ratio was 19.8 per cent. The Issuer's total assets amounted to ISK 1,566 billion as of and for the year ended 31 December 2022.

## Consolidated Income Statement

<b>ISK million</b>	<b>2023</b>	<b>2022</b>
Interest income calculated using the effective interest rate method	126,095	87,671
Other interest income	11,047	6,342
Interest expense	(88,531)	(50,887)
<b>Net interest income</b>	48,611	43,126
Fee and commission income	18,591	17,630
Fee and commission expense	(4,357)	(3,577)
<b>Net fee and commission income</b>	14,234	14,053
Net financial income (expense)	241	(1,257)
Net foreign exchange gain	581	881
Other operating income	570	433
<b>Other net operating income</b>	1,392	57
<b>Total operating income</b>	64,237	57,236
Salaries and related expenses	(15,003)	(13,452)
Other operating expenses	(11,740)	(10,166)
Administrative fine	(860)	(300)
Contribution to the Depositors' and Investors' Guarantee Fund	-	(165)
Bank tax	(1,871)	(1,858)
<b>Total operating expenses</b>	(29,474)	(25,941)
<b>Profit before net impairment on financial assets</b>	34,763	31,295
Net impairment on financial assets	(1,015)	1,576
<b>Profit before tax</b>	33,748	32,871
Income tax expense	(9,198)	(8,485)
Profit for the period from continuing operations	24,550	24,386
Discontinued operations held for sale, net of income tax	35	149
<b>Profit for the period</b>	24,585	24,535



## Consolidated Statement of Financial Position

<i>ISK million</i>	<b>31.12.2023</b>	<b>31.12.2022</b>
Cash and balances with Central Bank	87,504	94,424
Loans to credit institutions	73,475	110,364
Bonds and debt instruments	161,342	130,804
Derivatives	5,776	7,461
Loans to customers	1,223,426	1,186,639
Shares and equity instruments	13,241	15,868
Investments in associates	4,051	3,844
Property and equipment	6,562	6,752
Intangible assets	2,930	3,279
Other assets	3,638	6,072
Non-current assets and disposal groups held for sale	749	782
<b>Total Assets</b>	<b>1,582,694</b>	<b>1,566,235</b>
Deposits from Central Bank and credit institutions	16,149	15,269
Deposits from customers	850,709	789,897
Derivative instruments and short positions	5,090	10,804
Debt issued and other borrowed funds	417,573	468,270
Subordinated loans	38,155	34,392
Tax liabilities	13,107	12,128
Other liabilities	17,218	16,601
Non-current liabilities and disposal groups held for sale	-	-
<b>Total Liabilities</b>	<b>1,358,001</b>	<b>1,347,361</b>
<b>Equity</b>		
Share capital	9,898	10,000
Share premium	55,000	55,000
Reserves	5,083	9,158
Retained earnings	154,712	144,716
<b>Total Shareholder's Equity</b>	<b>224,693</b>	<b>218,874</b>
Non-controlling interests	-	-
<b>Total Equity</b>	<b>224,693</b>	<b>218,874</b>
<b>Total Liabilities and Equity</b>	<b>1,582,694</b>	<b>1,566,235</b>

## ***RISK MANAGEMENT***

The Issuer is exposed to various risks. The management of these risks is an integral part of the Issuer's operations. The ultimate responsibility for ensuring an adequate risk management framework lies with the Issuer's Board of Directors. The Issuer's Board of Directors defines and communicates the acceptable level of risk through the Issuer's risk management policies. The Issuer's risk management framework and policies are discussed under Note 45 in the 2023 Financial Statements, which are incorporated by reference in this Base Prospectus.

## THE ICELANDIC ECONOMY

Following the rapid upswing in the Icelandic economy beginning in the middle of the first decade of the 21<sup>st</sup> century, the economy experienced a banking and currency crisis in the second half of 2008. The gross domestic product (**GDP**) contracted considerably during the next two years, the value of assets deteriorated, real wages declined and unemployment rose. However, the Icelandic economy subsequently enjoyed a period of robust GDP growth in 2011-2019 and, despite a temporary setback due to the COVID-19 pandemic in 2020, currently has a GDP per capita among the highest in the world.

The Icelandic economy has a history of considerable volatility. The source of such volatility has historically been the fisheries industry, which is one of two main goods export sectors along with aluminium smelting. The business cycle, therefore, has been linked to fish catch volumes and fluctuations in the prices of marine products on foreign markets. The development of power-intensive industry, which plays a considerable role in export activities, has also been the cause of some volatility. The business cycle of the first decade of the 21<sup>st</sup> century was partly driven by investments in this sector. However, these fluctuations can, to a greater extent, be attributed to systemic changes in the domestic financial market, which in a short period of time evolved from a capital controlled financial market with fixed exchange rates to an open financial market with a floating exchange rate and large international privately-run financial institutions. The currency and banking crisis was therefore preceded by the classical antecedents to a crisis of such kind and was sparked by the international financial crisis that prevailed at the time.

The International Monetary Fund (**IMF**) approached the Icelandic government at the end of 2008 with the promise of a credit facility in exchange for a letter of intent from the Icelandic government agreeing to changes in the Icelandic economy in three main areas: fiscal policy, the activities of financial institutions and stability of the foreign exchange market. Despite some initial delays, the Stand-by Agreement with the IMF came to an end on 26 August 2011. The Icelandic Parliament imposed capital controls in 2011 pursuant to Act No. 87/1992 on Foreign Exchange (**FEA**) in order to prevent serious difficulties with regard to Iceland's balance of payments and to stabilise the króna exchange rate. On 14 March 2017, Rules no. 200/2017 on Currency Exchange took effect, granting a general exemption from the restriction set forth in the FEA and effectively lifting the capital controls that had previously been in place. The FEA was replaced with Act No. 70/2021 on Foreign Exchange which lifted the capital controls by law. The last remaining limitations on derivatives involving króna were lifted in 2021.

The Icelandic economy enjoyed a period of continuous, robust growth from 2011 until year-end 2019. Consumption, investment and exports all grew at a brisk pace and real wages and real residential house prices rose considerably during that period. The impact of the COVID-19 pandemic led to a 6.8 per cent. decline in real GDP in 2020, mostly due to a sharp fall in exports. On the other hand, national expenditure fell by a more moderate 1.8 per cent. in 2020 and the current account remained in surplus as a fall in imports offset the contraction in exports to a degree. In the year 2021 GDP growth measured 4.5 per cent. in real terms, subsequently rising to 7.2 per cent. in 2022. GDP growth in 2023 to the end of September was at a rate of 4.2 per cent. as the economy transitioned to post-expansion adjustment phase.

After a period of inflation remaining close to the Central Bank of Iceland's inflation target between the first quarter of 2014 and the third quarter of 2018, inflation temporarily increased above the target as the ISK depreciated and domestic cost pressures remained considerable. After falling back to inflation target levels in late 2019, inflation again rose in 2020 following a depreciation in the Icelandic Krona due to the impact of the pandemic. The rise in inflation continued throughout the subsequent years, with inflation peaking at 10.2 per cent. in February 2023 before abating to 7.7 per cent. by year-end 2023. The Central Bank of Iceland decreased its main policy rate from 4.5 per cent. as of the first quarter of 2019 to 0.75 per cent. as of the fourth quarter of 2020 to counter the adverse economic impact of the pandemic. The Central Bank has also employed a range of additional policy instruments to mitigate the pandemic impact, including foreign exchange market interventions and liquidity measures in the financial sector. From May 2021, the Central Bank embarked on a rate hike process to counter adverse inflation developments and normalise real interest rates in line with the improving economic outlook. As of year-end 2023, the Central Bank's policy rate had been raised to 9.25 per cent.

Despite brisk economic growth in the period preceding the COVID-19 pandemic and a decline in GDP during the early phase of the pandemic, the total debt ratios of households, corporates and the public sector remained relatively robust compared to GDP following a substantial decline in debt ratios earlier in the decade. As the economy has recovered, the debt ratios of the three main economic sectors have declined once more to pre-pandemic levels. Furthermore, Iceland's external debt position has improved vastly, with external assets exceeding external liabilities by around 31 per cent. of GDP as of the end of the third quarter of 2023 after decades of substantial net negative international investment position. The main reason for this economic development is an exceptionally rapid growth in Iceland's tourist sector, which in recent years has been the country's largest export sector. Moreover, business investment rose substantially around mid-decade, particularly in export sectors such as tourism and energy. The final years of the last decade saw a moderate fall in business investment before a healthy rebound in 2021-2022, followed by moderate growth in the year 2023 to September.

## FINANCIAL MARKETS IN ICELAND

### *FSA*

The FSA supervises commercial banks, savings banks and other credit institutions, insurance companies, companies and individuals acting as insurance brokers, undertakings engaged in securities services, Undertakings for Collective Investment in Transferable Securities, management companies, stock exchanges and other regulated markets, central securities depositories and pension funds. The FSA is charged with ensuring that the activities of these entities are conducted in accordance with the laws and regulations of Iceland. The activities of FSA are primarily governed by Act No. 87/1998, on the Official Supervision of Financial Operations, and Act No. 98/1999, on the Payment of Cost Due to the Official Supervision of Financial Activities.

### *The Central Bank*

The Central Bank of Iceland is an independent institution owned by the Icelandic state and operating under the auspices of the Prime Minister. Its objective is to promote price stability, financial stability and sound and secure financial activities. The Central Bank also 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 intermediation.

As of 1 January 2020, the Central Bank is responsible for the tasks entrusted by law and governmental directives to the FSA and financial supervision is now under the responsibility of the Central Bank. The Central Bank monitors 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.

### *Monetary policy*

The main objective of the Central Bank's monetary policy is price stability. For a number of years following the banking and currency crises in 2008, and in accordance with the joint economic policy agreed upon by the Icelandic authorities and the IMF in November 2008, the secondary main focus of Iceland's monetary policy became stabilisation of the króna, without committing to defend a specific value of the currency.

With declining inflation and progress in the restructuring of domestic balance sheets as the second decade wore on, the emphasis of monetary policy gradually shifted towards future inflation and output prospects, although exchange rate stability continues to play a role in monetary policy. With statutory amendments passed on 21 October 2016, important steps were taken towards easing restrictions on capital transactions. Further reforms were implemented on 1 January 2017. On 14 March 2017, Rules no. 200/2017 on Currency Exchange took effect, granting a general exemption from the restriction set forth in the FEA and effectively lifting the capital controls that had previously been in place. The rules, as amended by Rules 568/2017 and 311/2019, remained in effect until the passage of Act 70/2021 in June 2021, which effectively lifted all remaining capital controls. However, there is still a requirement for reporting to the Icelandic Central Bank of any new investment three weeks after Icelandic Krona is bought for new inflow of foreign currency. Also, the current rules place restrictions on the total amount of financial institutions' derivatives transactions.

### *Nasdaq Iceland hf.*

Iceland currently has one authorised stock exchange where the public listing of securities and securities trading take place: Nasdaq Iceland hf. Nasdaq Iceland hf. is part of the Nasdaq Group and is licensed to operate a regulated market as well as a multilateral trading facility, the First North Iceland market. Nasdaq Iceland hf. also provides listing alternatives for small-cap to large-cap companies; and the main market and the First North market for small and medium-sized companies with growth potential. 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).



## TAXATION

### General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of Iceland and the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

### Iceland Taxation

The comments below are of a general nature based on the Issuer's understanding of current law and practice in Iceland. This is not tax advice but a mere general overview of Icelandic rules. Prospective holders of the Notes 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.

In light of the existing withholding tax regime in Iceland as regards non-residents, the clearing of the Notes through Euroclear and/or Clearstream, Luxembourg will be subject to confirmation that the relevant registration requirements with the Icelandic authorities have been completed.

### *Icelandic residents*

Icelandic residents are subject to tax on any interest income derived by them from the Notes, individuals at 22 per cent. and companies at the rate of 21 per cent. for the year 2024 and taxable partnerships at the rate of 38.4 per cent. The Issuer is liable to withhold tax on interest payments to Icelandic residents at the rate of 22 per cent. However, while interest payments on the Notes remain exempt from tax in relation to non-Icelandic residents, as a result of the registration of the Notes with the Directorate of Internal Revenue (as described under "*Non-Icelandic residents*" below), the Directorate of Internal Revenue has confirmed that the Issuer does not need to withhold tax on any interest payments to Noteholders unless it is aware of any such Noteholders being Icelandic residents.

Capital gains on the sale of the Notes are subject to the same tax as interest income of Icelandic residents.

### *Non-Icelandic residents*

Non-Icelandic residents are not subject to Icelandic tax on any interest income derived by them from the Notes provided the Notes are registered with a securities depository within the Organisation for Economic Co-operation and Development, the European Economic Area or a member of the European Free Trade Association or the Faroe Islands, and the Issuer has registered any Notes issued under the Programme with the Directorate of Internal Revenue in Iceland and received confirmation of exemption for the Notes from such taxation, all in accordance with point 8 of the first Paragraph of Article 3 of Act no. 90/2003 on Income Tax. The Issuer will provide a certificate of such tax exemption for each issue of Notes.

In the event that the Issuer is required to withhold tax then the provisions of Condition 7 will apply and the Issuer will be required to pay additional amounts to cover the amounts so withheld.

Capital gains on the sale of the Notes are classified as interest and should thus not be subject to tax in Iceland, provided that the aforementioned confirmation of exemption has been granted in respect of the Notes.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France,

Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to 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 Notes 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. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are strongly advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

The Foreign Account Tax Compliance Act (**FATCA**) imposes a 30 per cent. United States withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and dividend equivalents), or other fixed or determinable annual or periodical gain, profits, and income (**Withholdable Payments**), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the United States Treasury Department to collect and provide to the United States Treasury Department certain information regarding United States account holders, including certain account holders that are foreign entities with United States owners or otherwise complies with FATCA. A Note may constitute a "financial account" for these purposes and thus, be subject to information reporting requirements pursuant to FATCA.

In addition, under FATCA, "passthru payments" made by a foreign financial institution to "recalcitrant holders" or non-compliant foreign financial institutions are subject to a 30 per cent. United States withholding tax. A "recalcitrant holder" generally is a holder of an account with a foreign financial institution that fails to comply with reasonable requests for information that will help enable the relevant foreign financial institution to comply with its reporting requirements. Pursuant to United States Treasury Department regulations, a passthru payment is any Withholdable Payment and any "foreign passthru payment", which has yet to be defined. Under the regulations and other guidance, the 30 per cent. United States withholding tax on "recalcitrant holders" or non-compliant foreign financial institutions may be imposed on non-United States source payments made by the Issuer with respect to the Notes no earlier than the date that is two years after the date on which final regulations defining the term foreign pass thru payment are published in the United States Federal Register.

If the Issuer determines withholding is appropriate with respect to the Notes, the Issuer will withhold tax at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld. However, the withholding tax will not be imposed on payments pursuant to obligations giving rise to Withholdable Payments solely because payments are treated as foreign passthru payments if the obligation is executed on or before the date of that is six months after the date on which final regulations defining the term foreign passthru payment are filed with the United States Federal Register. Holders are urged to consult with their own tax advisers regarding the possible implications of FATCA on their investment in the Notes.



## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 3 May 2024, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Dealers are entitled in certain circumstances to be released and discharged from their obligations under the Programme Agreement prior to the closing of the issue of Notes under the Programme, including in the event that certain conditions precedent are not delivered or met to their satisfaction on the relevant issue date. In this situation, the issuance of the relevant Notes may not be completed. Investors will have no rights against the Issuer or Dealers in respect of any expense incurred or loss suffered in these circumstances.

### **Selling Restrictions**

#### ***United States***

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and 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 or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form 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 and Treasury regulations promulgated thereunder. The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### ***Prohibition of sales to EEA Retail Investors***

Unless the Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each 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 Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or (in

the case of Exempt Notes) Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (A) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (B) a customer within the meaning of 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
  - (C) not a qualified investor as defined in the Prospectus Regulation; and
- (b) 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms or (in the case of Exempt Notes) Pricing Supplement, specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable” in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) 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
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) 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 Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### ***United Kingdom***

Unless the Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation thereto to any retail investor in the UK. 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 UK domestic law by virtue of 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 UK domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (C) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision the expression an **offer of Notes** to the public in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and **UK Prospectus Regulation** means Regulation (EU) 1129/2017 as it forms part of UK domestic law by virtue of the EUWA.

***Other UK regulatory restrictions***

Each Dealer has also represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes 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 Notes 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 Notes would otherwise constitute a contravention of Section 19 of 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 Notes 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 Notes in, from or otherwise involving the UK.

### *Norway*

Notes denominated in Norwegian kroner may not be offered or sold within Norway or outside Norway to Norwegian citizens abroad, without the Notes prior thereto having been registered in the Norwegian Central Securities Depository.

### *Japan*

The Notes 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 **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### *The People's Republic of China*

The Notes may not be offered or sold directly or indirectly in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) (the **PRC**) or to residents of the PRC unless such offer or sale is made in compliance with all applicable laws and regulations of the PRC.

### *Hong Kong*

The Notes may not be offered or sold in Hong Kong, by means of any document, other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) 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.

No person may 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 Notes, 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 Notes 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.

### *Singapore*

Each 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, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes 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 Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (b) to an accredited investor (as

defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

### **Switzerland**

This Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes 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 Notes 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 Notes constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

### **Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the **Prospectus Regulation**) and any application provision of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Italian CONSOB regulations; or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (A) be 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 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (B) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

### **General**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of the Notes have been duly authorised by resolutions of the meetings of the Board of Directors of the Issuer dated 25 October 2011, 21 May 2014, 13 July 2016, 8 November 2017 and 21 March 2018.

### Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of MiFID.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing on the Official List and admitted to trading and/or quotation by the regulated market of Euronext Dublin or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

### Irish Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Regulated Market for the purposes of the Prospectus Regulation.

### Documents Available

For the life of this Base Prospectus, the following documents will, when published, be available for inspection at <https://www.islandsbanki.is/en/product/about/funding>:

- (c) the constitutional documents (with an English translation thereof) of the Issuer;
- (d) the Agency Agreement, the VPS Account Manager Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms and Pricing Supplements (save that a Pricing Supplement will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated therein by reference.

In addition, copies of this Base Prospectus, any supplement to this Base Prospectus and Final Terms relating to Notes listed on Euronext Dublin will be published on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>. Copies of Final Terms relating to Notes which are admitted to trading on any other regulated market in the EEA, will be published in accordance with the rules and regulations of the relevant listing authority or stock exchange and otherwise in accordance with the Prospectus Regulation.

### Clearing Systems

The Notes (other than Dematerialised Notes) have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common

Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. The relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. The appropriate securities code for each Tranche of Dematerialised Notes will be specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. In the case of Dematerialised Notes, the Relevant Dematerialised Clearing System is the entity in charge of keeping the records. If the Notes are to clear through an additional or alternative clearing system, such as Nasdaq CSD Iceland and Verðbréfamiðstöð Íslands CSD, the appropriate information will be specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking SA, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of Euronext VPS is Fred Olsens Gate 1, 0152 Oslo, Norway. The addresses of the registered offices of the Nasdaq CSD Iceland and Verðbréfamiðstöð Íslands CSD are Laugavegur 182, 105 Reykjavík, Iceland and Fiskislóð 31 A, 101 Reykjavík, respectively.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been no significant change in the financial performance or financial position of the Group since 31 March 2024 and there has been no material adverse change in the prospects of the Issuer since 31 December 2023.

### **Litigation**

Save as disclosed below, there are no, nor have there been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have, or have had, during the twelve months prior to the date of this Base Prospectus, individually or in the aggregate, a significant effect on the financial position or profitability of the Group.

#### **Borgun hf. Landsbankinn**

Borgun hf., (currently Teya Iceland hf.) a former subsidiary of Íslandsbanki, is a payment acquirer and issuing processor. Landsbankinn hf. sold its 31.2 per cent. stake in Borgun hf. in late 2014. Landsbankinn claims that Borgun's management did not disclose all available information that might have affected the value of Borgun during the sales process, namely the value of its stake in Visa Europe which was sold to Visa International shortly after the Borgun sale. In order to reclaim the alleged loss, Landsbankinn filed a lawsuit against Borgun and others on 12 January 2017, claiming the right to damages for having been deprived of the true value of the stake involved in the sale. Landsbankinn does not quantify the claim, but its estimate of the lost profit from having sold its shares in Borgun is approximately ISK 1,930 million.

On 11 March 2020, the Issuer signed an agreement to sell its 63.47 per cent. stake in Borgun hf. to SaltPay Co Ltd. and concluded the sale on 7 July 2020. In the agreement the Issuer undertook to reimburse 63.47 per cent. of losses incurred by Borgun or the buyer as a result of an unfavourable outcome in the Landsbankinn case, however such reimbursement was never to exceed the Issuer's share in the purchase price.

On 27 April 2023, a panel of three judges of the District Court of Reykjavík rendered a judgement and dismissed the claims made by Landsbankinn against all defendants. Landsbankinn has appealed the judgement to the Court of Appeal. The Group has not recognised a provision in respect of this matter.

#### **105 Miðborg slhf. - ÍAV hf.**



In February 2021, the alternative investor fund 105 Miðborg slhf., operated by Íslandssjóðir hf. (Iceland Funds hf.), a wholly owned subsidiary of the Issuer, terminated its contractor agreement with ÍAV hf., a contractor that had been retained for a real estate project at Kirkjusandur in the centre of Reykjavík. The main reason for the termination was the alleged non-performance and delays in the construction of one building on the premises. The contractor, ÍAV, has claimed approximately ISK 3,829 million in damages plus late payment interest and legal costs from 105 Miðborg and Iceland Funds for the alleged unlawful termination. The suit was filed on 11 May 2021 at the District Court of Reykjavík. Additionally, 105 Miðborg has filed a case against ÍAV claiming approximately ISK 3,878 million in damages plus late payment interest and legal cost due to alleged delays and significant breaches of contract. The Group owns a 8.25 per cent. stake in 105 Miðborg. The Group has not recognised a provision in respect of this matter.

#### *The Consumers' Association of Iceland*

In December 2021, three customers, sponsored by the Consumers' Association of Iceland, commenced litigation against the Issuer demanding that the court rules that certain provisions of their residential mortgages, governing variable interest rates, be deemed illegal and unenforceable and demand the repayment of any overpaid interest.

Firstly, two of the cases were brought by customers owing CPI linked mortgages that contain a certain interest resetting provision that the Supreme Court found, in its ruling on case no. 623/2016, could not be used by the Issuer to reset interest rates. Following the judgement, the Issuer repaid its customers any interest that the Issuer had charged in excess of the originally agreed interest rate and returned the affected loans to their original interest rates. In the case now brought to the courts, the customers maintain that instead of the originally agreed interest rates, their loans should incur interest rates pursuant to article 4 of Act no. 38/2001 on interest and price indexation. An unfavourable finding by the court may have an influence on the Issuer's portfolio of loans and fully paid loans that contained the resetting provision, disputed in case no. 623/2016. The Group estimates that the financial impact of an unfavourable ruling in an adverse scenario could lie in the range of ISK 2 to 3 billion. On 25 May 2023, the District Court of Reykjavík rendered a judgement in one of these cases and dismissed all claims that were made against the Issuer. The plaintiff has appealed the judgement to the Court of Appeal.

Secondly, a case has been brought against the Issuer by a customer owing a non-index linked mortgage bearing variable interest rates. The plaintiff maintains that the terms governing the variable interest rates are invalid and may not be used by the Issuer as basis for setting interest rates, and that therefore the originally agreed interest rate should remain fixed during the term of the loan. An unfavourable ruling in this case may affect all indexed and non-index linked mortgages bearing variable interest rates, as well as any loans bearing fixed interest rates to be reset on a predefined date.

In April 2022, the plaintiffs in two of the cases submitted claims that an advisory opinion by the EFTA Court should be requested on the interpretation of certain provisions in directives incorporated into the EEA Agreement. On 13 December 2022, the District Court issued its rulings. In the case involving a CPI linked mortgage, the Court rejected the plaintiff's request. In the case involving a non-indexed linked mortgage, the District Court decided to request an advisory opinion from the EFTA Court on part of the issues raised by the plaintiff. The timing of the EFTA Court's advisory opinion is uncertain, as well as its impact on the case.

It is disputed in the three cases whether the terms of the Issuer's mortgages, and the method used by the Issuer to set variable interest rates, is in compliance with the Act on Mortgage Lending to Consumers no. 118/2016. That act is in this respect similar to the terms of Act no. 33/2013 on Consumer Credit. An unfavourable finding could therefore affect other loans to consumers bearing variable interest rates. Furthermore, the Issuer has received information requests from a legal firm representing over 1,200 customers of Icelandic commercial banks and loan institutions, they deem to have a comparable right.

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 9 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.

The Issuer has reviewed the terms of its mortgages, other loan contracts and the methods used for the setting and resetting of variable interest rates in light of the above claims. The Issuer believes that the claims of the plaintiffs are unfounded and has not recognised a provision with regard to this matter.

#### EC Clear ehf.

In August 2021, EC Clear ehf., a former owner of a payment processing company, filed a suit jointly against the Issuer and four other financial institutions claiming damages in the amount of ISK 923 million plus interest from June 2013, resulting from a breach of competition law that allegedly took place during the period from 2003 to 2013. This was the sixth time the case had been brought before the courts for this purpose, after previous cases had been dismissed. On 30 September 2022, the District Court of Reykjavík dismissed the case. On 10 January 2023, the Court of Appeal partly reversed the dismissal and ordered the District Court to hear the case in substance. The hearing of the case has not been decided. The Group has not recognised a provision in relation to this matter.

#### Onsite inspection by the Financial Supervisory Authority of the Central Bank of Iceland into the Issuer's anti-money laundering measures

The Financial Supervisory Authority of the Central Bank of Iceland (FSA) conducted an onsite inspection of the Issuer's anti-money laundering (AML) measures in the third quarter of 2022 as part of its supervision of regulatory compliance in the banking sector. The FSA identified certain shortcomings in relation to the Issuer's risk assessment framework, the risk assessment framework for individual customers and transactions as well as the performance of customer due diligence and regular monitoring of transactions. The Issuer has not challenged the FSA's findings and has already made, and is continuing to make, improvements to its AML framework. The matter could result in a settlement and a fine. The Issuer has recognised an undisclosed provision in relation to this matter.

#### **Auditors**

Deloitte ehf., State Authorised Public Accountants of Dalvegur 30, 201 Kópavogur, Iceland, have audited the Issuer's consolidated financial statements as of and for the year ended 31 December 2023 without qualification. Ernst & Young ehf., which voluntarily relinquished its license in December 2023, audited the Issuer's consolidated financial statements as of and for the years ended 31 December 2022 and 31 December 2021. The Issuer's consolidated financial statements as of and for the years ended 31 December 2023, 31 December 2022 and 31 December 2021 were prepared in accordance with IFRS as adopted by the EU.

Deloitte ehf. is a member of The Institute of State Authorised Public Accountants and independent within the meaning of Independent State Authorised Public Accountant.

KPMG ehf., State Authorised Public Accountants of Borgartún 27, 105 Reykjavík, Iceland, was elected as the Issuer's auditing firm at the Issuer's Annual General Meeting held on 21 March 2024.

#### **Dealers transacting with the Issuer**

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Dealers and/or their affiliates have, directly or indirectly, performed investment and commercial banking or financial advisory services for the Issuer, for which they have received customary fees and commissions,

and they expect to provide these services to the Issuer and its affiliates in the future, for which they also expect to receive customary fees and commissions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Yield**

In relation to any Tranche of Fixed Rate Notes or Reset Notes which are not Exempt Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price and on the basis of the rate of interest as at the Issue Date of the Notes. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

### **Websites**

In this Base Prospectus, reference to websites or uniform resource locators (**URLs**) are inactive textual references. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Base Prospectus.

### **Original language references**

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 applicable law.

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