

SUPPLEMENT DATED 8 DECEMBER 2021 TO THE BASE PROSPECTUS DATED 20 AUGUST 2021



Arion Bank hf.

(Incorporated with limited liability in Iceland)

€3,000,000,000

Euro Medium Term Note Programme

This Supplement (the **Supplement**) to the base prospectus dated 20 August 2021 (the **Base Prospectus**) which comprises a base prospectus for the purposes of the Prospectus Regulation constitutes a supplement to the prospectus for the purposes of Article 23(1) of the Prospectus Regulation and is prepared in connection with the €3,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by Arion Bank hf. (the **Bank**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement. When used in this Supplement, **Prospectus Regulation** means Regulation (EU) 2017/1129.

This *Commission de Surveillance du Secteur Financier* (the **CSSF**) of the Grand Duchy of Luxembourg in its capacity as competent authority under the Prospectus Regulation has approved this Supplement as a supplement within the meaning of Article 23(1) of the Prospectus Regulation. The CSSF only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Bank or of the quality of the Notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Bank from time to time.

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

The amendments to the Base Prospectus included in this Supplement shall only apply to Notes issued on or after the date of approval of this Supplement.

Purpose of the Supplement

The purpose of this supplement is to (a) incorporate by reference specified pages of the Q3 2021 Interim Financial Statements and the Q3 2021 Factbook into the Base Prospectus; (b) update the “Key Financial Indicators” section of the Base Prospectus; (c) include a new “Significant or Material Change” statement; (d) update the “Recent Developments” section of the Base Prospectus; (e) amend the Terms and Conditions of the Notes so that: (i) the status of the Notes may be senior preferred or senior non-preferred; and (ii) Notes may be issued in uncertificated book entry form cleared through the Icelandic Securities Depository Ltd. (the **ISD Notes** and **ISD**, respectively); (f) reflect that application may be made to Nasdaq Iceland (as defined below) for ISD Notes to be admitted to trading on the Nasdaq Iceland Main Market, the regulated market of Nasdaq Iceland; (g) amend and update certain information contained in the section entitled “*Overview of the Programme*” in the Base Prospectus, including to reflect the changes made to the Terms and Conditions of the Notes; (h) amend and update certain information contained in the section entitled “*Risk Factors*” in the Base Prospectus, including to reflect the changes made to the Terms and Conditions of the Notes; (i) amend

and update certain information contained in the section entitled “*Form of the Notes*” in the Base Prospectus in the case of ISD Notes; and (j) amend and update certain information contained in the section entitled “*Applicable Final Terms*” in the Base Prospectus, including to reflect the changes made to the Terms and Conditions of the Notes and that application may be made for ISD Notes to be admitted to trading on the Nasdaq Iceland Main Market.

Unaudited Interim Consolidated Financial Statements for the nine month period ended 30 September 2021

The section entitled "Documents Incorporated by Reference" on pages 55 to 57 of the Base Prospectus shall be updated as set out below.

On 27 October 2021 the Bank published its unaudited interim consolidated financial statements for the nine month period ended 30 September 2021 (the **Q3 2021 Interim Financial Statements**), together with the "Arion Bank Factbook - 30.09.2021" (the **Q3 2021 Factbook**).

A copy of each of the Q3 2021 Interim Financial Statements and the Q3 2021 Factbook has been filed with the *Commission de Surveillance du Secteur Financier*.

By virtue of this Supplement, the following information contained in the Q3 2021 Interim Financial Statements, and set out at the pages below, is incorporated by reference in, and form part of, the Base Prospectus (available at: <https://wwwv2.arionbanki.is/library/skrar/English/About-the-Bank/Investor-Relations/Financial-information/Financial-Statements/2021/Arion%20Bank%20Condensed%20Consolidated%20Interim%20Financial%20Statements%2030%20September%202021.pdf>);

Consolidated Interim Income Statement.....	Page 7
Consolidated Interim Statement of Comprehensive Income.....	Page 8
Consolidated Interim Statement of Financial Position	Page 9
Consolidated Interim Statement of Changes in Equity.....	Pages 10 to 11
Consolidated Interim Statement of Cash Flows....	Page 12
Notes.....	Pages 13 to 67

The non-incorporated parts of the Q3 2021 Interim Financial Statements which, for the avoidance of doubt, are not included in the cross-reference list above, are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

By virtue of this Supplement, the following information contained in the Q3 2021 Factbook, and set out at the pages below, is incorporated by reference in, and form part of, the Base Prospectus (available at: <https://wwwv2.arionbanki.is/library/skrar/English/About-the-Bank/Investor-Relations/Financial-information/Financial-Statements/2021/Arion%20Bank%20Q3%202021%20Factbook.pdf>):

KFI - 5 years.....	Page 2
--------------------	--------

The non-incorporated parts of the Q3 2021 Factbook which, for the avoidance of doubt, are not included in the cross-reference list above, are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

A copy of this Supplement may be obtained from <https://www.arionbanki.is/english/about-us/investor-relations/debt-investors/funding-programmes-and-prospectuses/#Tab1>. A copy of this Supplement may also be obtained from the Luxembourg Stock Exchange's website at www.bourse.lu. Copies of all documents incorporated by reference in the Base Prospectus and in the Supplement can be obtained from the Luxembourg Stock Exchange's website at www.bourse.lu. Copies of documents incorporated by reference in the Base Prospectus can be viewed electronically free of charge at <https://www.arionbanki.is/>.

Key Financial Indicators

By virtue of this Supplement, the table on page 136 of the Base Prospectus containing certain of the Bank's key financial indicators for the six month period 30 June 2021 and for the years ended 31 December 2020 and 31 December 2019 is replaced by the following table containing certain of the Bank's key financial indicators for the nine month period ended 30 September 2021 and for the years ended 31 December 2020 and 31 December 2019.

The following table includes certain of the Bank's key financial indicators for the nine month period ended 30 September 2021 and for the years ended 31 December 2020 and 2019. This information should not be considered in isolation from, or as a substitute for, financial information presented in the Q3 2021 Interim Financial Statements or the Annual Financial Statements (each of which is incorporated by reference into the Base Prospectus) and should be read in conjunction with the Q3 2021 Interim Financial Statements and the Annual Financial Statements, as applicable.

	As of and for the nine month period ended	As of and for the year ended	
	30 September 2021	31 December 2020	31 December 2019
	%	%	%
Profitability			
Return on equity ¹	15.2	6.5	0.6
Return on assets ²	2.4	1.1	0.1
Return on risk-weighted assets ³	3.9	1.7	0.1
Net interest margin			
Net interest margin on interest bearing- assets ⁴	2.7	2.9	2.8

¹ Return on equity is net earnings for the period as a percentage of average total equity (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Return on equity is used as an alternative measure of performance of the Bank based on returns generated relative to equity and is a measure of the profits generated by the Bank from the equity of its shareholders. The higher this figure, the greater the profits of shareholders relative to their equity for the relevant period.

² Return on assets is net earnings for the period as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Return on assets is used as an alternative measure of performance of the Bank based on returns generated relative to total assets and is a measure of the profits generated by the Bank from its assets. The higher this figure, the greater the profits from the Bank's assets for the relevant period.

³ Return on risk-weighted assets is net earnings for the period as a percentage of average risk-weighted assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). For the calculation of risk-weighted assets see Note 45 of the 2020 Consolidated Financial Statements. Return on risk-weighted assets is used as an alternative measure of performance of the Bank based on returns generated relative to risk-weighted assets and is a measure of the profits generated by the Bank from its risk-weighted assets (which is a prudential measure by which the assets of the Bank are adjusted to give different weight to certain risk based considerations as a means to assess those assets relative to such risks). The higher this figure, the greater the profits from the Bank's risk-weighted assets for the relevant period, which can then be compared to return on assets above to assess the risk based return of the Bank relative to the total asset return.

⁴ Net interest margin on interest bearing assets is interest income on interest bearing assets less interest expense (i.e. net interest income) as a percentage of average interest bearing assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Net interest income was ISK 23,295 million for the nine month period ended 30 September 2021 and ISK 31,158 million and ISK 30,317 million for the years ended 31 December 2020 and 2019, respectively. "Interest bearing assets" means the sum of cash and balances with Central Bank, loans to credit institutions, loans to customers and interest bearing financial instruments (which is made up of bonds and debt instruments (ISK 163,748 million as at 30 September 2021, ISK 157,744 million as at 31 December 2020 and ISK 65,874 million as at 31 December 2019), derivatives (ISK 4,935 million as at 30 September 2021, ISK 7,284 million as at 31 December 2020 and ISK 6,617 million as at 31 December 2019) and listed bonds and debt instruments used for economic hedging (ISK 26,335 million as at 30 September 2021, ISK 27,215 million as at 31 December 2020 and ISK 10,852 million as at 31 December 2019). See Note 23 of the Q2 2021 Interim Financial Statements and Note 23 of the 2020 Year End Financial Statements). Net interest margin on interest-earning assets is used as an alternative measure of performance of the Bank based on the Bank's net interest margin

Net interest margin on total assets ⁵	2.5	2.7	2.6
Efficiency			
Cost-to-income ratio ⁶	41.9	48.1	56.0
Cost-to-total assets ratio ⁷	2.0	2.1	2.3

Recent Developments

By virtue of this supplement, the following paragraph will be added at the end of the section entitled “Recent Developments” starting on page 134 of the Base Prospectus:

“The Bank reported net earnings of ISK 21,228 million from continuing operations for the nine months ended 30 September 2021, compared to a net earnings from continuing operations of ISK 8,637 million for the nine months ended 30 September 2020. There was a positive improvement in the Bank’s net impairments for the nine months ended 30 September 2021 of ISK 2,610 million as compared to an increase of ISK 5,118 million in impairments for the nine months ended 30 September 2020. This was due to the Bank reversing a part of its impairments. This is partly due to changes in the loan book, with a higher proportion in mortgages instead of corporate loans. However, uncertainty persists regarding the valuation of assets due to the pandemic, especially due to the continued impact of the COVID-19 delta variant.”

Front page of the Base Prospectus

By virtue of this Supplement, the words “Notes being **listed**” in the sixth paragraph on page 1 of the Base Prospectus shall be deemed to be deleted and replaced with “Notes (other than ISD Notes (as defined below)) being **listed**” and the following shall be added as a new paragraph immediately after the sixth paragraph on page 1 of the Base Prospectus:

“The Issuer has requested the CSSF to notify the Financial Supervisory Authority of the Central Bank of Iceland, as competent authority under the Prospectus Regulation in Iceland, of its approval of the Base Prospectus pursuant to Article 25 of the Prospectus Regulation. Application may be made to Nasdaq Iceland hf. reg. no. 681298-2829, Laugavegur 182, 105 Reykjavík, Iceland (the **Nasdaq Iceland**) for ISD Notes (as defined below) issued under the Programme to be admitted to trading on the Nasdaq Iceland Main Market, the regulated market of Nasdaq Iceland. The Nasdaq Iceland Main Market is a regulated market for the purposes of MiFID II. References in this Base Prospectus to ISD Notes being **listed** (and all related references) shall mean that such ISD Notes have been admitted to trading on the Nasdaq Iceland Main Market.”

Update to the Overview of the Programme

By virtue of this Supplement:

- (a) the following shall be inserted as a new paragraph immediately after the paragraph entitled “Fiscal Agent” on page 15 of the Base Prospectus:

“ISD Agent: Arion Bank hf.”;

relative to its interest-earning assets and is a measure of the difference in the interest income generated by the Bank’s interest-earning assets and its interest expense by reference to the average interest-earning assets for the relevant period. The higher this figure, the greater the returns from the Bank’s interest-earning assets for that period.

⁵ Net interest margin on total assets is net interest income as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Net interest margin on total assets is used as an alternative measure of performance of the Bank based on the Bank’s net interest margin relative to its total assets and is a measure of the difference in the interest income generated by the Bank’s total assets and its interest expense by reference to the average total assets for the relevant period. The higher this figure, the greater the returns from the Bank’s total assets for that period.

⁶ With respect to cost-to-income ratio, “cost” means salaries and related expense and other operating expense. “Income” means operating income. Cost-to-income ratio is used as an alternative measure of performance of the Bank based on the costs of the Bank relative to income generated and is a measure of the Bank’s costs as compared with its income. The lower this figure, the lower the Bank’s costs relative to its income.

⁷ With respect to cost-to-total assets ratio, “cost” means salaries and related expense and other operating expense. “Total assets” means total assets of the Bank as set out in the financial statements of the Bank (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Cost-to-total assets ratio is used as an alternative measure of performance of the Bank based on the costs of the Bank relative to its total assets and is a measure of the Bank’s costs as compared with its total assets. The lower this figure, the lower the Bank’s costs relative to its total assets.

- (b) the paragraph entitled “Form of Notes” on page 15 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Form of Notes: The Notes will be issued in bearer form or in uncertificated and dematerialised book entry form registered in the Icelandic Securities Depository Ltd. (**ISD Notes** and the **ISD**, respectively) as described in "*Form of the Notes*";

- (c) the paragraph entitled “Redemption” on page 16 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Redemption: The applicable Final Terms will indicate either that (i) the relevant Notes cannot be redeemed prior to their stated maturity (other than following a Tax Event (in the case of any Notes), following an Event of Default (in the case of Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms), upon the occurrence of a Capital Event (in the case of Subordinated Notes) or upon the Occurrence of an MREL Disqualification Event (in the case of Senior Preferred Notes and Senior Non-Preferred Notes where Condition 5.11 is specified as being applicable in the applicable Final Terms)) or (ii) such Notes will be redeemable at the option of the Bank and/or the Noteholders upon giving notice to the Noteholders or the Bank, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Bank and the relevant Dealer. The Notes will only be redeemed at an amount of more than 100 per cent. of their nominal amount in the case of certain Zero Coupon Notes.

No early redemption of the Senior Preferred Notes (where Unrestricted Events of Default is specified as being not applicable in the applicable Final Terms), the Senior Non-Preferred Notes or the Subordinated Notes may take place without the prior written consent of the Relevant Regulator (if and to the extent such consent is required). See Condition 5.10.

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

- (d) the following shall be inserted as new paragraphs immediately after the paragraph entitled “Redemption” on page 16 of the Base Prospectus:

Subordinated Notes - Substitution or Variation: If at any time a Tax Event or a Capital Event occurs, or if required in order to ensure the effectiveness or enforceability of Condition 17, the Bank may, subject to the provisions of Condition 5.10 (if, and to the extent so required), either substitute all, but not some only, of the Subordinated Notes for, or vary their terms so that they remain or, as appropriate, become, Subordinated Qualifying Securities (as defined in Condition 5.12), as further provided in Condition 5.12.

Senior Preferred Notes and Senior Non-Preferred Notes: If at any time a Tax Event or an MREL Disqualification occurs, or if required in order to ensure the effectiveness or enforceability of

- Substitution or Variation: Condition 17, the Bank may, subject to the provisions of 5.10 (if, and to the extent so required), either substitute all, but not some only, of the Senior Preferred Notes or Senior Non-Preferred Notes for, or vary their terms so that they remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities or, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (each as defined in Condition 5.13), as further provided in Condition 5.13.;

(e) the paragraph entitled “Cross-Acceleration” on page 17 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

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

(f) the paragraph entitled “Status of the Notes” on page 17 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Status of the Notes: The Notes may be issued on a senior preferred (**Senior Preferred Notes**), a senior non-preferred (**Senior Non-Preferred Notes**) or a subordinated basis (**Subordinated Notes**), as described in Condition 2 and as specified in the applicable Final Terms.”;

(g) the paragraph entitled “Listing, Approval and Admission to Trading” on page 17 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Listing, Approval and Admission to Trading: Application has been made to the CSSF to approve this document as a base prospectus.

Application has also been made for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and admitted to the Official List of the Luxembourg Stock Exchange.

The Issuer has requested the CSSF to notify the Financial Supervisory Authority of the Central Bank of Iceland, as competent authority under the Prospectus Regulation in Iceland, of its approval of the Base Prospectus pursuant to Article 25 of the Prospectus Regulation.

Application may be made to Nasdaq Iceland for ISD Notes issued under the Programme to be admitted to trading on the Nasdaq Iceland Main Market, the regulated market of Nasdaq Iceland.

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

The applicable Final Terms 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.”; and

- (h) the paragraph entitled “Governing Law” on page 18 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

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

The ISD Notes and any non-contractual obligations arising out of or in connection with the ISD Notes will be governed by, and shall be construed in accordance with, Icelandic law.”

Risk Factors

By virtue of this Supplement:

- (a) the first sentence of the first paragraph of the risk factor entitled “*If the Bank has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*” on page 42 of the Base Prospectus shall be deleted and replaced with the following:

“An optional redemption feature (including any redemption of the Notes (i) upon the occurrence of a Tax Event pursuant to Condition 5.2, (ii) upon the occurrence of a Capital Event pursuant to Condition 5.9 in the case of Subordinated Notes and (iii) upon the occurrence of an MREL Disqualification Event pursuant to Condition 5.11 in the case of Senior Preferred Notes and Senior Non-Preferred Notes where Condition 5.11 is specified as being applicable in the applicable Final Terms) may limit the market value of Notes.”;

- (b) the risk factor entitled “*The claims of Noteholders will be subordinated to the claims of certain of the Bank’s depositors in the event of a winding-up*” starting on page 43 of the Base Prospectus shall be deleted;

- (c) the following shall be inserted as a new risk factor immediately after the risk factor headed “*Under the terms of the Notes, investors will agree to be bound by and consent to the exercise of any Bail-in and Loss Absorption Powers by the Relevant Resolution Authority*” on page 45 of the Base Prospectus:

***“In certain circumstances, other than in the case of Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms, the Bank can substitute or vary the terms of the Notes.*”**

If at any time a Capital Event (in the case of Subordinated Notes), an MREL Disqualification Event (in the case of Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) and Senior Non-Preferred Notes) or a Tax Event (in the case of any Notes other than Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) occurs, or if required (in the case of any

Notes other than Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) in order to ensure the effectiveness or enforceability of Condition 17, the Bank may, subject to obtaining the prior written consent of the Relevant Regulator (if such consent is required), but without the requirement for the consent or approval of the Noteholders, either substitute all, but not some only, of the relevant Notes for, or vary the terms of the relevant Notes, as the case may be, so that they remain or, as appropriate, become, in the case of Subordinated Notes, Subordinated Qualifying Securities (as defined in Condition 5.12), in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined in Condition 5.13) or, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities (as defined in Condition 5.13), as further provided in Condition 5.12 and Condition 5.13, 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, Senior Non-Preferred Notes or 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, in accordance with the Terms and Conditions of the Notes. While the Bank cannot make changes to the terms of the Notes that are materially less favourable to the holders of the relevant Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, as a class, no assurance can be given as to whether any of these changes will negatively affect any 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 those Noteholders of holding the Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, prior to such substitution or variation.”

- (d) the risk factor entitled “*Reliance on Euroclear and Clearstream, Luxembourg procedures*” on page 46 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Reliance on Euroclear and Clearstream, Luxembourg procedures

Notes (other than ISD Notes) issued under the Programme will be represented on issue by one or more Global Notes that may be delivered to a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg (each as defined under “*Form of the Notes*”). 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 (other than ISD 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 (other than ISD Notes) are represented by Global Notes, the Bank 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 Bank 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.”; and

- (e) the following shall be added as a new sub-section entitled “*Risks related to Senior Preferred and Senior Non-Preferred Notes*” immediately before the sub-section entitled “*Risks related to Subordinated Notes*” on page 48 of the Base Prospectus:

“Risks related to Senior Preferred and Senior Non-Preferred Notes

The claims of holders of Senior Preferred Notes and Senior Non-Preferred Notes will be subordinated to claims of the Bank’s depositors in the event of a winding-up.

In Iceland, Article 102 of the Act on Financial Undertakings provides that, should a financial institution holding bank deposits, such as the Bank, enter into winding-up proceedings pursuant to Article 101 of the Act on Financial Undertakings, then the claims of holders of senior unsecured unsubordinated debt will be subordinated to the claims of all of the Bank’s depositors. Moreover, the Hierarchy of Claims Act was recently enacted into law by the Icelandic Parliament on 4 May 2021. The Hierarchy of Claims Act amends the Act on Financial Undertakings and introduces a new Article 85(a) to the Act on Recovery and Resolution which provides in part that, in a winding-up: (a) claims of certain types of the Bank’s depositors will have priority over other kinds of bank deposits (i.e. the inner ranking within deposits will change), but (b) all types of bank deposits will, as a group, rank higher than the claims of the Bank’s senior unsecured unsubordinated debt obligations.

Accordingly, under current Icelandic law, the claims of holders of senior unsecured debt (which would include Senior Preferred Notes as well as Senior Non-Preferred Notes) are subordinated to the claims of all of the Bank’s depositors in a winding-up of the Bank. If a winding-up of the Bank were to occur, there may not be sufficient assets in the resulting estate to pay the claims of such Noteholders after the claims of depositors have been paid.

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

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

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

On the winding-up of the Bank, 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 Bank (as defined in Condition 2.2), senior to holders of all classes of share capital of the Bank and any subordinated obligations or other securities of the Bank which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Bank (including, without limitation, any Subordinated Notes) and will rank junior to present or future claims of (a) depositors of the Bank and (b) other unsubordinated creditors of the Bank. If, on a winding-up of the Bank, the assets of the Bank are insufficient to enable the Bank to repay the claims of the unsubordinated creditors in full, the Noteholders will lose their entire investment in the Senior Non-Preferred Notes. If there are sufficient assets to enable the Bank to pay the claims of unsubordinated creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Senior Non-Preferred Notes or all other claims that rank *pari passu* with the Senior Non-Preferred Notes, holders of Senior Non-Preferred Notes will lose some (which may be substantially all) of their investment in the Senior Non-Preferred Notes.

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

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

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

Noteholders may only declare the Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) or the Senior Non-Preferred Notes to be due and payable in certain very limited circumstances and may only claim for payment in respect of such Notes in the liquidation (in Icelandic: slit eða gjaldþrot) of the Bank

Upon default being made in the payment of any principal or interest due in respect of the Senior Preferred Notes or the Senior Non-Preferred Notes, as the case may be, a holder of such Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) may, upon the expiry of the applicable period, institute proceedings for the Bank to be declared insolvent or its liquidation (in Icelandic: *slit eða gjaldþrot*) and prove or claim in the liquidation of the Bank. It is only upon a declaration of insolvency by a court or agency or supervisory authority with the necessary jurisdiction and/or the liquidation of the Bank, that a holder of such Notes may declare such Notes to be due and payable and that holder may then only claim payment in respect of the such Notes in the liquidation of the Bank.

Holders of the Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) or the Senior Non-Preferred Notes, as the case may be, may not otherwise institute any proceedings against the Bank and do not have any other remedies against the Bank, in each case to enforce any obligation for the payment of any principal or interest in respect of such Notes. Accordingly, upon any default being made by the Bank in payment of any amount due in respect of the Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) or the Senior Non-Preferred Notes, as the case may be, a holder of such Notes will only have the limited remedies above and will not have any other remedy against the Bank.”

Update to the “Form of the Notes”

By virtue of this Supplement:

- (a) the following shall be inserted as a new paragraph immediately before the first paragraph on page 58 of the Base Prospectus:

“The Notes of each Series will be either (i) in bearer form, with or without interest coupons attached, or (ii) in uncertificated book entry form cleared through the ISD.

Bearer Notes”;

- (b) the following shall be inserted as a new paragraph immediately before the fourth paragraph from the bottom starting with “Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Fiscal Agent shall.....” on page 59 of the Base Prospectus:

“ISD Notes

Each Tranche of ISD Notes will be issued in uncertificated book entry form cleared through the ISD. On the issue of such ISD Notes, the Bank (if it is not the ISD Agent) will send a copy of the applicable Final Terms to the ISD Agent. On delivery of the applicable Final Terms by the ISD Agent to the ISD and notification to the ISD of the subscribers and their ISD account details by the Bank or the relevant Dealer, as applicable, the ISD Agent acting on behalf of the Bank will credit each subscribing account holder with the ISD with a nominal amount of ISD Notes equal to the nominal amount thereof for which it has subscribed and paid.

Settlement of sale and purchase transactions in respect of ISD Notes in the ISD will take place in accordance with market practice at the time of such transactions.

Title to the ISD Notes will pass by registration in the registers between the direct accountholders at the ISD in accordance with the rules and procedures of the ISD. The holder of an ISD Note will be the person evidenced as such by a book entry in the records of the ISD. The person evidenced (including any nominee) as a holder of the ISD Notes shall be treated as the holder of such ISD Notes for the purposes of payment of principal and interest on such ISD Notes. The expressions **Noteholders** and **holder of Notes** and related expressions shall be construed accordingly.

For the ISD Notes, overdue interest may be calculated in accordance with the provisions of Chapter III of the Act on Interest and Indexation No 38/2001.

General”;

- (c) the words “where a further Tranche of Notes is issued” in the fourth paragraph from the bottom on page 59 of the Base Prospectus shall be deemed to be deleted and replaced with the words “where a further Tranche of Notes (not being ISD Notes) is issued”; and
- (d) the words “reference herein to Euroclear and/or Clearstream, shall” in the third paragraph from the bottom on page 59 of the Base Prospectus shall be deemed to be deleted and replaced with the words “reference herein to Euroclear and/or Clearstream, Luxembourg and/or the ISD shall”;

Update to Applicable Final Terms

By virtue of this Supplement:

- (a) item 13 in “Part A – Contractual Terms” of the Applicable Final Terms on page 63 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“13. Status of the Notes: [Senior Preferred/Senior Non-Preferred/Subordinated]

(If Senior Preferred Notes include)

- (i) Unrestricted Events of Default: [Applicable – Condition 8.1 applies /Not Applicable – Condition 8.2 applies]”;

- (b) items 21 in “Part A – Contractual Terms” of the Applicable Final Terms on page 67 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“21. Early Redemption Amount payable on [] per Calculation Amount”;
redemption for taxation reasons, upon
the occurrence of a Capital Event or a
MREL Disqualification Event or
following an event of default:

- (c) item 22(a) and 22(b) in “Part A – Contractual Terms” of the Applicable Final Terms on page 68 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“(a) Form:

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

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

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

[Notes shall not be physically delivered in Belgium,
except to a clearing system, a depository or other
institution for the purpose of their immobilisation in
accordance with article 4 of the Belgian Law of 14
December 2005.⁸]

*(N.B. The option for an issue of Notes to be
represented on issue by a Temporary Global Note
exchangeable for Definitive Notes should not be
expressed to be applicable if the Specified
Denomination of the Notes in paragraph 5 includes
language substantially to the following effect:
“[€100,000] and integral multiples of [€1,000] in
excess thereof up to and including [€199,000].”)*

[ISD Notes

ISD Notes issued in uncertificated and
dematerialised book entry form. See further
paragraph 7 of Part B below.]

(b) New Global Note:

[Yes] [No]

(N.B. If ISD Notes, insert "No")”;

- (d) item 1(i) in “Part B – Other Information” of the Applicable Final Terms on page 70 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

⁸ Include for Notes that are to be offered in Belgium.

“(i) Listing and Admission to Trading

Application has been made by the Bank (or on its behalf) for the [Notes/ISD Notes] to be admitted to trading on [the Luxembourg Stock Exchange's regulated market/Nasdaq Iceland Main Market/] [and listed on the Official List of [the Luxembourg Stock Exchange/]]⁹ with effect from [].]

[Application is expected to be made by the Bank (or on its behalf) for the [Notes/ISD Notes] to be admitted to trading on [the Luxembourg Stock Exchange's regulated market/ Nasdaq Iceland Main Market/] and [listed on the Official List of [the Luxembourg Stock Exchange/]]¹⁰ with effect from [].]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)”;

- (e) item 6(v) in “Part B – Other Information” of the Applicable Final Terms on page 72 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):

[Not Applicable/give name(s), address(es) and number(s)/ISD, Iceland. The Bank shall be entitled to obtain certain information from the register maintained by the ISD for the purpose of performing its obligations under the issue of ISD Notes. The ISD Agent shall be entitled to obtain such information as is required to perform its duties under the Conditions of the Notes and rules and regulations of, and applicable to, the ISD.]”;

- (f) item 6(vii) in “Part B – Other Information” of the Applicable Final Terms on page 72 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“(vii) Names and addresses of additional Paying Agent(s) (if any) or, in the case of ISD Notes, the ISD Agent:

[][Not Applicable]”

Update to the Terms and Conditions of the Notes

By virtue of this Supplement:

- (a) the first on page 74 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“The following are the Terms and Conditions of the Notes. Where applicable, the Terms and Conditions will be incorporated by reference into each Global Note (as defined below) and each

⁹ Not required for listing on Nasdaq Iceland Main market.

¹⁰ Not required for listing on Nasdaq Iceland Main market.

definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Bank 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 applicable Final Terms (or the relevant provisions thereof) will, where applicable, be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.";

- (b) the second paragraph on page 74 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“This Note is one of a Series (as defined below) of Notes issued by Arion Bank hf. (the **Bank**).”;

- (c) the third paragraph on page 74 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“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 issued in exchange for a Global Note and
- (d) any Notes issued in uncertificated book entry form cleared through the Icelandic Securities Depository (the **ISD Notes** and the **ISD**, respectively). ISD Notes are in dematerialised form. Any references in these Terms and Conditions (the **Conditions**) to Coupons and Talons shall not apply to ISD Notes and no global or definitive Note will be issued in respect of ISD Notes.”;

- (d) the fourth paragraph on page 74 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“The Notes (other than ISD Notes) and the Coupons (as defined below) have the benefit of an Agency Agreement dated 20 August 2021 (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) each as made between the Bank and Citibank N.A., London Branch as fiscal agent (the **Fiscal Agent**, which expression shall include any successor agent) and the other paying agents named therein. In relation to the ISD Notes, Arion Bank hf. will act as the ISD system account manager (the **ISD Agent**, which expression shall include any additional agent appointed by the Bank from time to time in relation to the ISD Notes). The Fiscal Agent, the other paying Agents and the ISD Agent are together referred to as the **Paying Agents**, which expression shall include any additional or successor paying agents.”;

- (e) the sixth paragraph on page 74 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms which are (except in the case of ISD Notes) attached to or endorsed on this Note which complete these Conditions. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) which are (except in the case of ISD Notes) attached to or endorsed on this Note and (in the case of the ISD Notes) which are deposited with the ISD and the ISD Agent. The expression **Prospectus Regulation** means Regulation (EU) 2017/1129.”;

- (f) the eighth paragraph on page 74 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Any reference to Noteholders or holders in relation to any Notes shall mean the holders of the Notes and (in the case of ISD Notes) the persons who are for the time being shown in the records of the ISD as the holders of the Notes, and shall, in relation to any Notes represented by a Global Note and any ISD 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.”;

- (g) the words “The Noteholders and the Couponholders are entitled” in the first paragraph on page 75 of the Base Prospectus shall be deemed to be deleted and replaced with the words “ The Noteholders (except in the case of ISD Notes) and the Couponholders are entitled”;

- (h) the first paragraph of Condition 1 on page 75 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“The Notes are in bearer form or, in the case of ISD Notes, uncertificated book entry form, as specified in the applicable Final Terms, and, in the case of definitive Notes, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms and (other than ISD Notes) serially numbered. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. The Notes in bearer form may not be exchanged for ISD Notes and *vice versa*.”;

- (i) the third paragraph of Condition 1 on page 75 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“This Note may be a Senior Preferred Note, a Senior Non-Preferred Note or a Subordinated Note, depending on the Status shown in the applicable Final Terms.”;

- (j) the fifth paragraph of Condition 1 on page 75 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Subject as set out below, title to the Notes in bearer form and Coupons will pass by delivery and title to ISD Notes will pass by registration in the registers between the direct or indirect accountholders at the ISD in accordance with the rules and procedures of the ISD. The Bank and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon and the registered holder of any ISD 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.”;

- (k) the sixth paragraph of Condition 1 starting on page 75 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“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) or in the case of ISD Notes, each person (other than Euroclear, Clearstream, Luxembourg or ISD) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or the ISD, as the case may be, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or the ISD, as the case may be, 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 Bank and the relevant Paying Agents as the holder of such nominal amount of such Notes for all purposes other than (in the case only of Notes not being ISD Notes) with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Bank and any Paying 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.”;

- (l) the words “References to Euroclear and/or Clearstream, Luxembourg shall” in the final paragraph of Condition 1 on page 76 of the Base Prospectus shall be deemed to be deleted and replaced with the words “References to the ISD, Euroclear and/or Clearstream, Luxembourg shall”;
- (m) Condition 2.1 on page 76 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“2.1 Status of the Senior Preferred Notes

This Condition 2.1 is applicable in relation to Notes specified in the applicable Final Terms as being Senior Preferred Notes.

- (a) The Notes and any relative Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* without any preference among themselves.
- (b) In the event of the winding-up (in Icelandic: *slitameðferð*) of the Bank (a **Winding-Up**), the rights and claims of the Noteholders to payments on or in respect of the Notes shall rank:
 - (i) (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations) of the Bank from time to time outstanding; and
 - (ii) senior to any Senior Non-Preferred Liabilities of the Bank.”;

- (n) the following shall be inserted as a new Conditions 2.2 on page 76 of the Base Prospectus and the remaining Conditions shall be renumbered accordingly:

“2.2 Status of the Senior Non-Preferred Notes

This Condition 2.2 is applicable in relation to Notes specified in the applicable Final Terms as being Senior Non-Preferred Notes.

- (a) The Notes are direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* without any preference among themselves.
- (b) In the event of a Winding-Up, the rights and claims of the Noteholders to payments on or in respect of the Notes shall rank:
 - (i) *pari passu* without any preference among themselves;
 - (ii) *pari passu* with all other Senior Non-Preferred Liabilities of the Bank;

- (iii) in priority to payments to holders of all classes of share capital of the Bank in their capacity as such holders and any subordinated obligations or other securities of the Bank which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Bank (including, without limitation, any Additional Tier 1 Instruments and any Subordinated Notes); and
 - (iv) junior in right of payment to the payment of any present or future claims of (a) depositors of the Bank and (b) other unsubordinated creditors of the Bank that are not creditors in respect of Senior Non-Preferred Liabilities of the Bank.”;
- (o) the second paragraph of Condition 2.3 (as renumbered to reflect the inclusion of the relevant additional provisions in the Conditions by virtue of this Supplement) on page 76 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“In the event of a Winding-Up, the rights and claims of the Noteholders to payments on or in respect of the Notes shall rank:

- (a) *pari passu* without any preference among themselves;
 - (b) at least *pari passu* with payments to holders of any other Tier 2 Instruments and claims of any other subordinated creditors the claims of which rank, or are expressed to rank, *pari passu* with the Notes;
 - (c) in priority to payments to holders of any Additional Tier 1 Instruments and all classes of share capital of the Bank in their capacity as such holders, and claims of any other subordinated creditors the claims of which rank, or are expressed to rank, junior to the Notes; and
 - (d) junior in right of payment to the payment of any present or future claims of (a) depositors of the Bank, (b) other unsubordinated creditors of the Bank (including, without limitation, creditors in respect of any Senior Non-Preferred Liabilities of the Bank) and (c) claims of any other subordinated creditors the claims of which rank, or are expressed to rank, in priority to the Notes.”
- (p) the definition of “Applicable Banking Regulations” in the definitions included in Condition 2.3 (as renumbered to reflect the inclusion of the relevant additional provisions in the Conditions by virtue of this Supplement) on page 77 of the Base Prospectus shall be deleted;
- (q) the following definitions shall be added in alphabetical order in the definitions included in Condition 2.3 (as renumbered to reflect the inclusion of the relevant additional provisions in the Conditions by virtue of this Supplement) on page 77 of the Base Prospectus:

“Applicable Banking Regulations means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, prudential supervision or resolution then in effect in Iceland and applicable to the Bank, including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy, prudential supervision or resolution of the Relevant Regulator, in each case to the extent then in effect in Iceland (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank);

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 Bank or the Group (as defined in Condition 8.3), as the case may be, including, without limitation to the generality of the foregoing, CRD and the BRRD (whether or

not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank 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, CRR and any CRD Implementing Measures;

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

CRD Implementing Measures means any regulatory capital rules or regulations, or other requirements, which are applicable to the Bank or the Group, as the case may be, and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Bank 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;

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, as the same may be amended or replaced from time to time;

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

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

Relevant Regulator means (to the extent applicable to the relevant Notes at the relevant time) (i) (in respect of the Subordinated Notes) the FSA and (ii) (in respect of the Senior Preferred Notes and the Senior Non-Preferred Notes) the Relevant Resolution Authority (as defined in Condition 17) and/or such other authority tasked with matters relating to the qualification of securities of the Bank and/or the Group, as the case may be, under the Applicable MREL Regulations;

Senior 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 2.2;”;

- (r) all references to “Subordinated Notes” in Condition 2.4 (as renumbered to reflect the inclusion of the relevant additional provisions in the Conditions by virtue of this Supplement) on page 77 of the Base Prospectus shall be deemed to be deleted and replaced with references to “Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms), Senior Non-Preferred Notes and Subordinated Notes”;
- (s) the fourth paragraph of Condition 3.1 on page 78 of the Base Prospectus shall be deemed to be deleted and replaced with the following:
- “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, 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 Fixed Rate Notes which are ISD Notes, the aggregate outstanding nominal amount of the Fixed Rate 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.”;
- (t) the second paragraph of Condition 3.2(b) on page 82 of the Base Prospectus shall be deemed to be deleted and replaced with the following:
- “The provisions of this Condition 3.2 shall apply, as applicable, in respect of any determination by the Fiscal Agent (in the case of Fixed Reset Notes other than ISD Notes) or the ISD Agent (in the case of Fixed Rest Notes which are ISD Notes) of the Rate of Interest for a Reset Period in accordance with this Condition 3.2 as if the Fixed Reset Notes were Floating Rate Notes. The Rate of Interest for each Reset Period shall otherwise be determined by the Fiscal Agent Agent (in the case of Fixed Reset Notes other than ISD Notes) or the ISD Agent (in the case of Fixed Rest Notes which are ISD Notes) on the relevant Reset Determination Date in accordance with the provisions of this Condition 3.2. Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 3.1 shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.”;
- (u) the words “The Fiscal Agent will request the principal office” in the definition of “Reset Reference Bank Rate” in Condition 3.2(b) shall be deemed to be deleted and replaced with the words “The Fiscal Agent (in the case of Fixed Reset Notes other than ISD Notes) or the ISD Agent (in the case of Fixed Rest Notes which are ISD Notes)”;
- (v) the words “the Fiscal Agent or the Calculation Agent, as applicable” in the first paragraph of Condition 3.3(b)(i) on page 82 of the Base Prospectus shall be deemed to be deleted and replaced with the words “the Fiscal Agent or the Calculation Agent or the ISD Agent, as applicable”;
- (w) the second paragraph of Condition 3.2(d) on page 85 of the Base Prospectus shall be deemed to be deleted and replaced with the following:
- “The Fiscal Agent or the Calculation Agent, as applicable, 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:
- (A) in the case of Floating Rate Notes which are represented by a Global Note or a ISD Note, the aggregate outstanding nominal amount of the Notes; or
- (B) 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.”;

- (x) the words “the other Paying Agents and all Noteholders and Couponholders and” in Condition 3.3(g) on page 88 of the Base Prospectus shall be deemed to be deleted and replaced with the words “the other Paying Agents, the ISD Agent (in the case of ISD Notes) and all Noteholders and Couponholders and”;
- (y) the following shall be inserted as a new paragraph immediately after the second paragraph of Condition 3.4(c) starting on page 89 of the Base Prospectus:

“In addition and notwithstanding any other provision of this Condition 3.4, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the treatment of any relevant Series of Senior Preferred Notes or Senior Non-Preferred Notes as MREL Eligible Liabilities.”;

- (z) the words “received by the Fiscal Agent” in limb (b) of Condition 3.5 on page 92 of the Base Prospectus shall be deemed to be deleted and replaced with the words “received by the Fiscal Agent or the ISD Agent”;
- (aa) the following shall be inserted as a new Condition 4.7 immediately after the end of Condition 4.6 on page 95 of the Base Prospectus:

“4.7 Payments in respect of ISD Notes

Payments of principal and interest in respect of ISD Notes will be made to the Noteholders shown in the relevant records of the ISD in accordance with and subject to the rules and regulations from time to time governing the ISD.”;

- (bb) the first and second paragraphs of Condition 5.2 on page 95 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Subject to Condition 5.5 and, in the case of Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms), Senior Non-Preferred Notes or Subordinated Notes only, to the provisions of Condition 5.10 below, the Notes may be redeemed at the option of the Bank in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 and not more than 60 days’ notice to the Fiscal Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if:

- (a) either (i) on the occasion of the next payment due under the Notes, the Bank has or will become obliged to pay additional amounts as provided or referred to in Condition 6 or (ii) in the case of Subordinated Notes only, the Bank would not be entitled to claim a deduction in computing its taxation liabilities in any Tax Jurisdiction (as defined in Condition 6) in respect of any payment of interest to be made on the Notes on the occasion of the next payment due under the Notes (or the amount of such deduction would be materially

reduced), in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after (a) (in the case of Senior Preferred Notes or Senior Non-Preferred Notes) the date on which agreement is reached to issue the last Tranche of the Notes; or (b) (in the case of Subordinated Notes) the Issue Date; and

- (b) such obligation, loss of entitlement (or reduction) cannot be avoided by the Bank taking reasonable measures available to it,

(each a **Tax Event**) provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date (i) on which the Bank would be obliged to pay such additional amounts, or (ii) on which the Bank would not be entitled to claim such a deduction (or the amount of such deduction would be materially reduced) in respect of such payment (as applicable), were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Bank shall deliver to the Fiscal Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that a Tax Event has occurred.”;

- (cc) Condition 5.3 on page 96 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“5.3 Redemption at the option of the Bank (Issuer Call)

“Subject to, in the case of Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms), Senior Non-Preferred Notes or Subordinated Notes, the provisions of Condition 5.10 below, if Issuer Call is specified as being applicable in the applicable Final Terms, the Bank may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 12 (which notice 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 together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption; (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and (ii) in the case of Redeemed Notes which are ISD Notes, in accordance with the rules of the ISD. 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 12 not less than 15 days prior to the date fixed for redemption.”;

- (dd) the words “If Issuer Residual Call is specified as being applicable” in the first line of Condition 5.4 on page 96 of the Base Prospectus shall be deemed to be deleted and replaced with the words “Subject to Condition 5.10, if Issuer Residual Call is specified as being applicable”;
- (ee) the words “For the purpose of Condition 5.2 above, Condition 5.9 below and Condition 8 below” in the first line of Condition 5.5 on page 96 of the Base Prospectus shall be deemed to be deleted and replaced with the words “For the purpose of Condition 5.2 above, Conditions 5.9 below, Condition 5.11 below and Condition 8 below”;
- (ff) Condition 5.6 on page 97 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“5.6 Purchases

Subject to the provisions of Condition 5.10 below, the Bank or any Subsidiary of the Bank may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Bank, surrendered to any Paying Agent for cancellation.”

- (gg) Condition 5.10 on page 98 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“5.10 Relevant Regulator Approval

Any redemption or purchase of Subordinated Notes pursuant to Conditions 5.2, 5.3, 5.4, 5.6 and 5.9 or substitution or variation pursuant to Condition 5.12 is subject to the prior approval of the Relevant Regulator (if, and to the extent then required, by the Relevant Regulator).

Any redemption or purchase of Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) and Senior Non-Preferred Notes, as the case may be, pursuant to Conditions 5.2, 5.3, 5.4, 5.6 and 5.11 or substitution or variation pursuant to Condition 5.13 is subject to the prior approval of the Relevant Regulator (if, and to the extent then required, by the Relevant Regulator).”;

- (hh) the following shall be inserted as new Conditions 5.11, 5.12 and 5.13 immediately after the end of Condition 5.10 on page 98 of the Base Prospectus:

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

This Condition 5.11 applies to Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) and Senior Non-Preferred Notes.

Upon the occurrence of a MREL Disqualification Event, the Bank may, at its option having given not less than 30 days’ nor more than 60 days’ notice to the Fiscal Agent and the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for such redemption), 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) redeem all (but not some only) of the Notes then outstanding at the Early Redemption Amount specified in the applicable Final Terms, together, if appropriate, with interest accrued to (but excluding) the date of redemption.

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

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

5.12 Substitution or Variation – Subordinated Notes

This Condition 5.12 applies only to Subordinated Notes.

Upon the occurrence of a Tax Event or a Capital Event, or if required in order to ensure the effectiveness or enforceability of Condition 17, subject to the provisions of Condition 5.10, the Bank may, at its option and without any requirement for the consent or approval of the Noteholders, having given not less than 30 days’ nor more than 60 days’ notice to the Fiscal Agent and the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), at any time either substitute all, but not some only, of the Notes for, or vary the terms of the Notes so that they remain, or, as appropriate, become, Subordinated Qualifying Securities, provided that such substitution or variation does not itself give rise to any right of the Bank to redeem the substituted or varied securities.

In these Conditions, **Subordinated Qualifying Securities** means securities issued directly or indirectly by the Bank that:

- (a) other than in the case of a change in the governing law of the Notes under Condition 17 from English 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 and, subject thereto, they shall (i) have a ranking at least equal to that of the Notes prior to the relevant substitution or variation; (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; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation; (iv) comply with the then current requirements of the FSA in relation to Tier 2 capital; (v) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation, as the case may be, or, if none, the Interest Commencement Date, and (vi) be assigned (or maintain) at least the same solicited credit ratings, if any, as were assigned to the Notes immediately prior to the relevant substitution or variation (or, if a solicited credit rating assigned to the Notes was, as a result of Condition 17 becoming ineffective or unenforceable, amended prior to such substitution or variation, the solicited credit rating that was assigned to the Notes prior to such amendment); and

- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to the relevant substitution or variation, as selected by the Bank.

5.13 Substitution or Variation – Senior Preferred Notes and Senior Non-Preferred Notes

This Condition 5.13 applies only to Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms) and Senior Non-Preferred Notes.

Upon the occurrence of a Tax Event or a MREL Disqualification Event, or if required in order to ensure the effectiveness or enforceability of Condition 17, subject to the provisions of Condition 5.10, the Bank may, at its option and without any requirement for the consent or approval of the Noteholders, having given not less than 30 days' nor more than 60 days' notice (which notice shall be irrevocable) to the Fiscal Agent and the Noteholders in accordance with Condition 12, at any time either substitute all, but not some only, of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities or, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined below), as the case may be.

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

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

- (a) other than in the case of a change in the governing law of the Notes under Condition 17 from English 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 and, subject thereto, they shall (i) include a ranking at least equal to that of the Notes prior to the relevant substitution or variation; (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; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation; (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) be assigned (or maintain) at least the same solicited credit ratings, if any, as were assigned to the Notes immediately prior to the relevant substitution or variation (or, if a solicited credit rating assigned to the Notes was, as a result of Condition 17 becoming ineffective or unenforceable, amended prior to such substitution or variation, the solicited credit rating that was assigned to the Notes prior to such amendment); and
- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to the relevant substitution or variation, as selected by the Bank; and

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

- (a) other than in the case of a change in the governing law of the Notes under Condition 17 from English 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 and, subject thereto, they shall (i) include a ranking at least equal to that of the Notes prior to the relevant substitution or variation; (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; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation; (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) be assigned (or maintain) at least the same solicited credit ratings, if any, as were assigned to the Notes immediately prior to the relevant substitution or variation (or, if a solicited credit rating assigned to the Notes was, as a result of Condition 17 becoming ineffective or unenforceable, amended prior to such substitution or variation, the solicited credit rating that was assigned to the Notes prior to such amendment); and

(b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to the relevant substitution or variation, as selected by the Bank.”;

(ii) the definition of “Relevant Date” in Condition 6 on page 99 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“**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 Fiscal Agent or, in the case of ISD Notes, the ISD Agent, 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 12.”;

(jj) the final paragraph of Condition 6 on page 99 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Other than in the case of Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms and notwithstanding the foregoing, the payment of any additional amounts by the Bank pursuant to this Condition 6 shall be limited to such payments in respect of payments of interest only and no such payments shall be made in respect of any payments of principal.”;

(kk) the title and first sentence of Condition 8.1 on page 99 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

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

This Condition 8.1 shall apply only to Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms.”;

(ll) the title and first sentence of Condition 8.2(a) on page 100 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

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

- (a) This Condition 8.2 applies to Subordinated Notes, Senior Non-Preferred Notes and Senior Preferred Notes (other than where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms).”;
- (mm) all references to “Subordinated Notes” in Condition 8.2 on page 100 of the Base Prospectus shall be deemed to be deleted and replaced with references to “Notes”;
- (nn) the second paragraph of Condition 10 starting with “The Bank is entitled to vary or terminate the appointment of any Paying Agent ...” on page 103 of the Base Prospectus shall be deemed to be deleted and replaced with the following:
- “The Bank is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:
- (a) there will at all times be a Fiscal Agent and an ISD Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Bank is incorporated.”;
- (oo) the following shall be inserted as a new heading prior to the first paragraph of Condition 12 starting with “All notices regarding the Notes will be deemed to be validly given ...” on page 104 of the Base Prospectus:
- “(a) *Notes other than ISD Notes*”,
- and the words “All notices regarding the Notes” in the first paragraph of Condition 12 shall be deemed to be deleted and replaced with “All notices regarding the Notes (other than ISD Notes)”;
- (pp) the following shall be added as a new paragraph immediately after the end of the first paragraph of Condition 12 on page 104 of the Base Prospectus:
- “(b) *ISD Notes*
- All notices regarding the ISD Notes will be valid if published in a manner which complies with the rules and regulations of any stock exchange and/or any other relevant authority on which the ISD 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. Where the Notes are ISD Notes, the Bank can additionally at its own discretion obtain information from the ISD on the Notes in order to send notices to each Noteholder directly.”;
- (qq) the following shall be inserted as a new heading prior to the second paragraph of Condition 12 starting with “Notices to be given by any Noteholder shall be in writing and given by ...” on page 104 of the Base Prospectus:
- “(c) *Notices given by Noteholders*”;

- (rr) the following shall be inserted as a new heading prior to the first paragraph of Condition 13 starting with “The Agency Agreement contains provisions for convening meetings ...” on page 104 of the Base Prospectus:

“(a) *Notes other than ISD Notes*”,

and references to the Notes in the first two paragraphs of Condition 13 shall be deemed to be to the Notes other than ISD Notes;

- (ss) the following shall be added as a new paragraph immediately after the end of the second paragraph of Condition 13 on page 104 of the Base Prospectus:

“(b) *ISD Notes*

The Bank may, in its capacity as ISD Agent, convene meetings of the holders of ISD Notes to consider any matter affecting their interests, including sanctioning by a majority of votes a modification of the ISD Notes. Such a meeting may be convened by the Bank or by the holders of not less than 10 per cent. of the Voting ISD Notes. For the purpose of this Condition, **Voting ISD Notes** means the aggregate nominal amount of the total number of ISD Notes not redeemed or otherwise deregistered in the ISD, less the ISD Notes owned by the Bank, any party who has decisive influence over the Bank or any party over whom the Bank has decisive influence.

The quorum at a meeting for passing a resolution is one or more persons holding at least one half of the Voting ISD Notes or at any adjourned meeting one or more persons being or representing holders of Voting ISD Notes whatever the nominal amount of the ISD Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the ISD Notes (including modifying the date of maturity of the ISD Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the ISD Notes or altering the currency of payment of the ISD Notes), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Voting ISD 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 aggregate nominal amount of the Voting ISD Notes. A resolution passed at any meeting of the holders of ISD Notes shall be binding on all the holders, whether or not they are present at such meeting.

The Bank, in its capacity as ISD Agent, may in certain circumstances, without the consent of the holders of the ISD Notes, make decisions binding on all holders relating to the Conditions which are not in its opinion, materially prejudicial to the interests of the holders of the ISD Notes.”;

- (tt) the following shall be added as a new paragraph at the end of Condition 13 on page 105 of the Base Prospectus:

“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).”

- (uu) Condition 16.1 on page 106 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“The Agency Agreement, the Deed of Covenant, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law, except for Condition 2, and the ISD Notes and any non-contractual obligations arising out of or in connection with the ISD Notes, which will be governed by, and construed in accordance with, Icelandic law.”;

(vv) Condition 16.2(a) on page 106 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“(a) Subject to Condition 16.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes (other than ISD 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 Bank and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

Subject to Condition 16.2(c) below, the District Court of Reykjavik has exclusive jurisdiction to settle any Dispute arising out of or in connection with the ISD Notes, and accordingly each of the Bank and any holders of ISD Notes in relation to any Dispute submits to the exclusive jurisdiction of the District Court of Reykjavik. Legal action taken in respect of the ISD Notes under this Condition 16.2(a) may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991, chapter 17.”

General Information

The paragraph entitled “Listing and Admission to Trading of the Notes” on page 170 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Listing and Admission to Trading of the Notes

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

Application may be made to Nasdaq Iceland for ISD Notes issued under the Programme to be admitted to trading on the Nasdaq Iceland Main Market, the regulated market of Nasdaq Iceland. The Nasdaq Iceland Main Market is a regulated market for the purposes of MiFID II.”

The paragraph entitled “Clearing Systems” on page 170 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“Clearing systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and the ISD (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN and, if applicable, the FISN and/or CFI code for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg or the ISD will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg. The address of the ISD is Icelandic Securites Depository, Laugavegur 182, 105 Reykjavik.”

The paragraph "Significant or Material Change" on page 171 of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

“Significant or Material Change

Since 30 September 2021, the last day of the financial period in respect of which the most recent unaudited interim financial statements of the Bank have been published, save as disclosed in this Base Prospectus in the sections entitled "*Risk Factors – Risks Relating to the Bank – The outbreak and global spread of COVID-19 has impacted and is expected to further adversely impact the Bank and its customers, counterparties and third-party service providers, and could have a material adverse effect on the Bank's business, financial position, results of operations and prospects*" and "*Description of the Bank – Recent Developments*" on pages 19 to 21 and on pages 134 to 135, respectively, there has been no significant change in the financial performance or position of the Group, nor, since 31 December 2020, the last day of the financial period in respect of which the most recent audited financial statements have been published, save as disclosed in the above sections of this Base Prospectus, has there been any material adverse change in the prospects of the Bank.”

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

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.