

## Base Prospectus



### Kvika banki hf.

*(incorporated with limited liability in Iceland)*

**€500,000,000**

### **Euro Medium Term Note Programme**

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

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

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

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

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

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

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

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

The requirement to publish a prospectus under the Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in any Member State of the EEA other than in circumstances where an exemption is available under Article 1(4) and/or Article 3(2) of the Prospectus Regulation. The requirement to publish a prospectus under the Financial Services and Markets Act 2000 (**FSMA**) only applies to Notes which are admitted to trading on a UK regulated market as defined in Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of United Kingdom (**UK**) domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (**UK MiFIR**) and/or offered to the public in the UK other than in circumstances where an exemption is available under section 86 of the FSMA. References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Regulation and the FSMA. The Central Bank of Ireland has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

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

defined in Regulation S under the Securities Act (**Regulation S**) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**Jefferies**  
**Nordea**

**Arranger**  
**Swedbank**  
**Dealers**

**Kvika**  
**Swedbank**

The date of this Base Prospectus is 21 December 2021.

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

**The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms or Pricing Supplement for each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Base Prospectus is in accordance and makes no omission likely to affect its import. The information in the sections entitled “*Iceland and Financial Markets*” on pages 128 to 130 has been extracted from publications by the Central Bank of Iceland, Statistics Iceland, Iceland Chamber of Commerce, where indicated as such. The Issuer confirms that, in each case, such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.**

**This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus. Any website referred to in this document does not form part of the Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.**

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

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

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

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

**Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should**

**purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.**

**Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.**

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

**This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) with respect to the EEA only in circumstances where there is an exemption from the obligation under the Prospectus Regulation to publish a prospectus. As a result, any offer of Notes in any Member State of the EEA must be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer of Notes in that EEA Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Further, this Base Prospectus has been prepared on the basis that any Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) will with respect to the UK only be offered to the public pursuant to an exemption under section 86 of the FSMA.**

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

**The Notes may not be a suitable investment for all investors. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each**

**potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:**

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;**
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;**
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;**
- (d) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of financial markets; and**
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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

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

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

#### **IMPORTANT – EEA RETAIL INVESTORS**

**If the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, such Notes are not intended to be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended) (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the**

Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **IMPORTANT – UK RETAIL INVESTORS**

If the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, such Notes are not intended to be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the UK PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

### **UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET**

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. A distributor (as defined above) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

## BENCHMARKS REGULATION

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the Benchmarks Regulation). If any such reference rate does constitute such a benchmark, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (ESMA) pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement to reflect any change in the registration status of the administrator.

## PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes may include a legend entitled “Singapore Securities and Futures Act Product Classification” which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the SFA). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) of the SFA. Any such legend included on the applicable Final Terms (or Pricing Supplement, as the case may be) will constitute notice to “relevant persons” for purposes of section 309B(1)(c) of the SFA.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### *Presentation of Financial Information*

Unless otherwise indicated, the consolidated financial information of the Issuer as of and for the years ended 31 December 2020 and 2019 included in this Base Prospectus has been derived from the audited consolidated annual financial statements of the Issuer as of and for the years ended 31 December 2020 and 2019 (together, the Annual Financial Statements), which have been incorporated by reference in this Base Prospectus.

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

### *Certain Defined Terms and Conventions*

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

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary

slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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

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

#### CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This Base Prospectus contains forward-looking statements that reflect the Issuer's intentions, beliefs or current expectations and projections about its future business, results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which it operates. They include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words “anticipates”, “estimates”, “projects”, “expects”, “believes”, “hopes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “would”, “could”, “should”, and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled “*Risk Factors*” and “*Description of the Issuer*” and other sections of this Base Prospectus. The Issuer has based these forward looking statements on the current view of its management with respect to future events and financial performance, taking into account information currently available to the Issuer. Although the Issuer believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted. The Issuer's beliefs, assumptions and expectations can change as a result of possible events or factors, not all of which are known to the Issuer or are within its control. If a change occurs, the Issuer's business, results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies or opportunities may vary materially from those expressed in, or suggested by, these forward-looking statements.

The risks and uncertainties referred to above include:

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



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

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

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## **RISK FACTORS**

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of risk factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such risk factors, as the Issuer may not be aware of all relevant risk factors and certain risk factors which it currently deems to be non-material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of risk factors which could materially adversely affect its business and ability to make payments due under the Notes.*

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

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

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

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

#### ***Risks Relating to the Issuer's Business Activities and Industry***

*Should one or more of the Issuer's counterparties fail to meet obligations it could result in an adverse effect on the Issuer's business, operations, and stability*

Granting of credit is one of the Issuer's main sources of income; consequently, one of the Issuer's primary sources of risk is counterparty credit risk, which can significantly affect the financial stability of the Issuer. Credit risk is defined as the risk that the Issuer will incur losses due to a counterparty defaulting on debt, or debt equivalent instruments, granted by the Issuer. Credit risk includes loans to customers, guarantees, loan commitments and derivative transactions. Additional assets such as deposits in bank accounts and accounts receivables qualify, among others, as credit risk. However, the largest part of the Issuer's credit risk involves lending to individuals and legal entities. Information on the Issuer's loan portfolio and credit quality of financial assets can be found in note 43. of the Issuer's financial statements for the period ending 30 September 2021, which have been incorporated by reference into this Base Prospectus. Failure to accurately assess credit risk could increase credit risk exposure, which could increase the amount of credit losses accrued by the Issuer and have a material adverse effect on the Issuer's financial condition.

*A sectorial, single-name and/or geographical concentration of the loan portfolio could affect the Issuer's business, financial condition and operations*

The Issuer's loan portfolio is concentrated in key sectors, which include vehicles and machinery, real estate, construction, financial entities and holding companies. See note 43. a. of the Issuer's financial statements for the period ending 30 September 2021 which have been incorporated by reference into this Base Prospectus. Downturns in these sectors that influence customers' ability to meet their obligations may ultimately have an adverse effect on the quality of the Issuer's loan portfolio and increase the amount of credit losses..

*Economic downturns could affect the Issuer's loan portfolio such as increased loan impairments granted by the Issuer*

The Issuer's loan portfolio is mainly composed of loans to Icelandic businesses. Increased corporate insolvency and reduced disposable income may reduce the customers' ability to repay loans granted by the Issuer. This may lead to a higher impairment of loans in the Issuer's loan portfolio.

The Issuer maintains a loan portfolio with emphasis on the general quality of lending, rather than quantity. Emphasis is placed on a robust and efficient lending process that contributes to the quality of the loan portfolio in relation to customer risk categorisation and pledged collateral quality classification. Emphasis is placed on providing first-class specialised banking services which utilise a flexible infrastructure. Failings during the lending process might lead to negative evaluations of the quality of the borrower and therefore affect the credit quality of the loan portfolio.

The loan portfolio is unique with respect to composition and duration. As of 31 December 2020, the duration of the loan portfolio was relatively short or approximately one year.

The Issuer and its subsidiaries taken as a whole (the **Group**) applies the same valuation methods to collateral held as other comparable assets held by the Group. For other types of assets, the Group uses third party valuation where possible. Haircuts are applied to account for liquidity and other factors which may affect the collateral value of the asset, or other credit enhancement.

The loan-to-value ratio (**LTV**) is the ratio of the gross amount of the loan to the value of the collateral, if any. The general creditworthiness of a customer is viewed as the most reliable indicator of the credit quality of a loan. Valuation of collateral held against loans is updated as deemed necessary based on price volatility and liquidity. An incorrect valuation of collateral can lead to increased credit losses due to a lower than anticipated collectable value of the pledged collateral and therefore can have an effect on the Issuer's financial position..

*The Issuer is exposed to the risk of counterparties repaying loans earlier than expected*

Prepayment risk is the risk that the Issuer will incur a financial loss because its counterparties request repayment of loans earlier than expected. Changes in interest rates could influence the customer's willingness and ability to make unscheduled early payments on loans granted by the Issuer. This could lead to decreased interest income for the Issuer and therefore have an effect on the Issuer's financial position.

*The Issuer is exposed to a wide range of market risks. The most significant risk factors include interest rate, equity, foreign exchange and inflation risks*

Market risk constitutes risk due to changes in the market prices of financial instruments and comprises interest rate risk, currency risk and other price risk. The Issuer has a strict policy on controlling market risk and keeping its exposure within set limits. Risk Management monitors market risk limits daily and reports regularly to the Asset and Liability Committee and to the CEO. Failure to address and monitor market risk could effect the Issuer's financial position and credibility.

The Issuer is mainly exposed to market risk caused by changes in equity prices, bond yields and currency exchange rates that can adversely affect the Issuer's financial position. The Issuer has both direct and indirect exposure to market risk. The Issuer is directly exposed to market risk through its activities and holdings in the following departments: Corporate Banking, Proprietary Trading, Capital Markets and Treasury departments, as well as through its subsidiary, TM Insurance, which has a large portfolio of securities. These direct exposures arise from the holding of financial instruments, in addition to the operation of market making services for domestic issuers of securities. Furthermore, indirect market risk arises through the activities of Asset Management and Corporate Finance, as the main source of income for these departments is performance fees, in addition to total amount of assets under management.

Changes in market variables directly impact the assets of the Issuer's trading portfolios, which are marked-to-market daily, recognising gains and losses immediately in the income statement. The Issuer's trading

portfolios consist of market making portfolios for both stocks and bonds, as well as a trading portfolio for proprietary trading. Furthermore, there is market risk exposure in the treasury portfolio and the investment portfolio. The treasury portfolio contains securities positions, which are considered part of the Issuer's active financial management, such as liquid assets. Investment securities that are not actively traded are valued either at amortised cost or at fair value. Further market risk due to assets and liabilities on- and off-balance sheet can arise, due to currency mismatches, interest rate imbalances and indexation.

The Asset and Liability Committee addresses the Issuer's market risk in accordance with the defined rules of the committee and may, in cooperation with Risk Management, set more detailed criteria for positions and define limits and targets. Exceeding of limits are immediately reported to the Asset and Liability Committee and the CEO and decisions on appropriate actions are made in accordance with the severity of the violation.

Risk Management measures the direct risk of trading portfolios daily, using statistical value at risk (**VaR**) methods. VaR is a measure of the financial risk in the investment portfolio using a 99 per cent. confidence level and one-day holding period. Limits are set by Risk Management for risk arising from both equity and debt securities in market making portfolios, and the limits are monitored by Risk Management daily. Failure to correctly estimate VaR could cause unexpected losses in the trading portfolio, which would affect the Issuer's financial position.

Failure to accurately assess and manage market risk could have a material adverse effect on the Issuer's financial condition.

#### *Interest Rate Risk*

Interest rate risk refers to the risk of loss due to general interest rate changes. The Issuer's interest rate risk is twofold. On the one hand, the Issuer has a portfolio of bonds, where market rates affect prices, and any fluctuations are recognised through the income statement. On the other hand, the Issuer has a mismatch in assets and liabilities with fixed interest terms. These include loans and swap contracts for securities on the asset side and borrowings and deposits on the liability side. The impact of interest rate changes on the Issuer's performance is determined by the characteristics of the Issuer's assets and liabilities, particularly interest rate revision provisions. Thus, interest rate hikes can reduce the value of loans with fixed interest rates, while raising the cost of funding. The interest rate change has a lasting effect if interest rates are fixed over the contract period, while the effect is limited to the next interest rate revision date, if the interest rates are variable.

The Group performs monthly sensitivity analysis on financial assets and liabilities in trading and non-trading portfolios that are subject to interest rate risk. The sensitivity analysis assumes a shift in the yield curves for all currencies.

Failure to accurately assess and manage interest rate risk could increase the Issuer's trading and non-trading portfolio losses and could affect the Issuer's loan portfolio through reduced interest rate income, which would have a material adverse effect on the Issuer's financial condition.

#### *Equity Risk*

Increased uncertainty in the financial markets contributes towards increased volatility in equity markets, which will affect the Issuer's business. Equity risk arises from the change in value of individual equity exposures. The Issuer has equity risk exposure towards positions held in the trading book and positions in the non-trading portfolio. Increased volatility and fluctuations in the equity markets could indirectly affect the Issuer's accrued performance fees related to equity markets and cause severe direct losses in the Issuer's trading portfolios.

#### *Currency Risk*

Currency risk arises from fluctuations in the currency rate of financial instruments that are not denominated in the functional currency of the Issuer, the Icelandic króna. A part of the Issuer's financial assets and financial liabilities is denominated in foreign currencies.

Treasury manages the Issuer's position in foreign currencies by buying and selling currency and derivatives. Currency positions are monitored daily by Risk Management and Treasury and reported monthly to the Asset and Liability Committee and the Central Bank of Iceland (**CBI**). Any mismatch between assets and liabilities in each currency is monitored closely and maintained within limits.

The Issuer is subject to restrictions set by the CBI (see Rules no. 784/2018 on Foreign Exchange Balance), regarding the maximum size of open currency positions; these must not exceed 15 per cent. of the capital base.

There is uncertainty regarding the remaining restrictions relating to the capital controls. There is also no guarantee that the CBI will not re-impose some elements of the capital controls that have already been lifted. Direct foreign investment in Iceland may be affected by the potential scenario that capital restrictions are re-imposed in the future. This would severely limit the growth of the Icelandic economy and therefore have a severe effect on the business growth potential of the Issuer.

#### *CPI/Inflation Risk*

Exposure to changes in the Icelandic Consumer Price Index (**CPI**) bears the risk that fluctuations in the CPI will affect the balance and cash flow of indexed financial instruments. The Issuer is exposed to Icelandic inflation caused by the imbalance of CPI indexed assets and CPI indexed liabilities. Indexed assets and liabilities of the Issuer consist of securities and interest rate swap agreements, as well as indexed deposits and loans to customers.

The Issuer controls its indexation risk through derivatives contracts and sales and purchases of indexed bonds, mostly government bonds, and thus keeps its inflationary position within the limits of the maximum 100 per cent. of the capital base, as defined by the Asset and Liability Committee.

*The Issuer is exposed to liquidity risk. Unexpected changes in the underlying mechanisms of funding sources could have an adverse effect on the Issuer's ability to meet its obligations when they reach maturity*

Liquidity risk is the risk that the Issuer will encounter difficulty in meeting contractual payment obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. This risk mainly arises from mismatches in the timing of maturing cash flows from assets and liabilities. The Issuer's largest funding source is deposits from individuals, corporations and financial institutions. A sudden outflow of deposits from customers might have an adverse effect on the liquidity position of the Issuer and therefore, its financial position.

Liquidity management is carried out by Treasury and monitored by Risk Management. The liquidity position is reported to the Asset and Liability Committee.

The Issuer continuously maintains liquidity and funding ratios in accordance with the CBI's rules on credit institutions' liquidity ratios no. 266/2017. The rules include requirements for the coverage ratio between cash flows of assets and liabilities (**LCR**) as well as the required stable funding in foreign currencies (**NSFR**).

The minimum 30-day LCR has been 100 per cent. from 2020 (100 per cent. for non-ISK assets). The minimum NSFR in foreign currencies has been 100 per cent. from 2020. The Group has followed internal and external liquidity requirements since 2020. The Issuer's aim is to keep a steady 30-day LCR above 130 per cent. and a foreign NSFR above 150 per cent., in compliance with the Issuer's internal risk limits set by Risk Management and the Asset and Liability Committee.

Maturity analysis of financial assets and financial liabilities is based on contractual cash flows or, in the case of held for trading securities, expected cash flows. If an amount receivable or payable is not fixed, for example, for inflation indexed assets and liabilities, the maturity analysis uses estimates based on current conditions.

The Issuer has established guidelines regarding the matching of maturities of assets and liabilities. Furthermore, to ensure the ability to meet liquidity needs, the Issuer maintains a stock of highly liquid unencumbered assets, such as cash, treasury bills and bonds.

Failure to accurately assess and manage liquidity risk could have a material adverse effect on the Issuer's funding ability and liquidity position, therefore causing a severe effect on the Issuer's financial position.

*One of the Issuer's main business lines is insurance operations, which operate through its subsidiary, TM Insurance. Insurance risk is divided into two groups, Premium risk and Reserve risk, in order to segregate between current and future claims.*

### **Premium risk**

The Issuer's insurance contracts insure events associated with human life, for example death or critical illness, in addition to assets such as motor vehicles, marine vessels and cargo, and personal possessions. In its essence, insurance is a transfer of risk from the holder of a contract to the Issuer. Such risks include financial loss due to accident, damage, theft, illness, disability or death. The Issuer would compensate certain losses of customers against payment of a premium. Specific risks arise in the Issuer's operations as premiums are predetermined, whilst the compensation for losses are provided at a later point and cannot be determined in advance.

Premium risk is the risk that future claims, in addition to related expenses, will be higher than anticipated at the point where premiums for current insurance contracts are calculated, meaning the Issuer will have underestimated the amount of insurance cover guaranteed to customers. This may be caused by inaccurate assumptions, as well as by temporary effects from large individual claims. The nature of claims may be different than expected or have changed due to developments in society. The Issuer monitors the frequency of claims and distribution of single claim amounts within each category and responds with changes in pricing or product development where necessary. Premium risk can be reduced by distributing the risk between insurance groups and by entering into reinsurance contracts for claims of significant value. An increase in the frequency or severity of claims can affect the Issuer's results of operations in the short term.

### **Reserve risk**

Reserve risk is the risk that existing, but not yet settled, claims will be higher than estimated. Negative developments can result from notified, but not yet settled, claims being undervalued and from claims, which are not yet notified, being higher in value than expected. The negative impacts can be caused by both actual indemnification of the claimant, as well as related expenses, such as clearance of ruins and cost of expert services in evaluations and settlement of claims.

The Issuer's outstanding claims are based on the evaluation of the final cost of all unsettled claims. Significant uncertainty in that evaluation is inevitable. There can be a significant delay from when a loss is incurred, to when a claim is notified to the Issuer, as the loss may not have been discovered, or the claimant may not be aware of their right to compensation. Even when damage is discovered, its consequences can remain unknown or uncertain until a period of time has elapsed; for example, where an asset is damaged, the extent of the damage may not become clear until repair has begun, and permanent or long-term consequences of personal accidents may only become known long after the occurrence of the accident. Consequences of damage may therefore at first be under or over-estimated. There are also cases where

notified claims are not compensated by the Issuer, because either no loss was incurred, the claim did not fall under the terms of the insurance contract, or the claim did not exceed the insurance excess of the insured.

### ***Risk regarding the operations of the Issuer***

Operational risk is the risk of financial losses resulting from the failure or inadequacy of internal processes or systems, due to employee error, fraud or other external events.

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

#### *A failure in one of the Issuer's main operating systems could have an adverse effect on the Issuer's business*

The technological advances in the financial sector have been rapid during recent years. As an example, to keep up with the rapid developments, the Issuer will be implementing a new core deposit and payment system, the Sopra Banking system. The Sopra banking system opens the way to increased integration of software solutions in the financial system. Existing systems have become outdated, are poorly serviced and contain various security flaws which present an operating system risk for the Issuer. The Issuer has not been able to implement necessary changes, forcing the Issuer to stop offering certain products and services due to being unable to comply with applicable laws and regulations.

Implementing the Sopra banking system also presents short-term risks, such as service disturbances, where customers might not be able to access their accounts, as well as the risk of incorrect balances being transferred between the existing system and the Sopra banking system. However, once implementation is complete, the Issuer will have a safer, more flexible and better serviced system, eliminating a large part of previous operating system risk.

#### *The Issuer is exposed to the risk of security breaches and unauthorized access of confidential information. The failure in functionality of the Issuer's information systems could have an adverse effect on the Issuer's business*

The rapid development of technology has led to greater attention and importance of acknowledging information and communication technology risk, as most of the Issuer's operations rely entirely on information, information processing and automated information systems. Therefore, any incidents that compromise the information and communication solutions used by the Issuer can have a serious impact on the Issuer's business processes. These incidents can be various and either random, malicious or accidental, such as, destruction of data or data theft (for example, from cyber-attacks), errors and omissions, or system disruptions. These incidents could have a material effect on the Issuer's operations and business.

Due to the nature of providing banking services, the safe handling and processing of customer's personal data and other confidential information is an important part of the Issuer's daily operations. The same applies to the Issuer's subsidiaries, including, but not exclusive to, Kvika eignastýring hf. (**KES**), Kvika Securities Ltd. (**KSL**), TM tryggingar hf. (**TM Insurance**), Aur app ehf. (**Aur**) and Netgíró hf. (**Netgíró**). The Issuer and the subsidiaries are legally responsible for safeguarding personal data and confidential information, and must comply with strict data protection and privacy laws, including rules on bank secrecy, when handling and processing such data.



Pursuant to Act no. 161/2002 on Financial Undertakings (**Act on Financial Undertakings**), the Issuer's Board of Directors, managing directors, auditors, employees and any persons undertaking tasks on behalf of the Issuer, are bound by an obligation of confidentiality concerning any information of which they may become aware in the course of their duties regarding business or private concerns of the Issuer's customers. They may not disclose any such information unless they are obliged to do so by law. This obligation is commonly referred to as bank secrecy.

To protect confidential information, and to ensure compliance with rules on bank secrecy, the Issuer has implemented appropriate security measures, such as internal rules on information concerning the Issuer's customers, which apply to the work of all the Issuer's employees, board members, auditors, contractors and any other parties who undertake work on behalf of the Issuer. Further, all data access is controlled through dedicated access control systems to ensure data security and an overview of who is permitted to access which data. Access reviews are performed annually to maintain the quality of access control. Moreover, contracts with third-party service providers generally include confidentiality obligations which restrict the providers from using or disclosing any confidential information they receive from the Issuer. A performance failure or operational error by third-party service providers could have a material effect on the Issuer's business and operations.

However, security measures, such as confidentiality agreements, may not fully prevent the unauthorised use or disclosure of confidential information, or allow the Issuer to seek reimbursement from a third-party in the case of a breach of confidentiality obligations towards the Issuer. Act no. 90/2018, on Data Protection and the Processing of Personal Data (**Data Protection Act**), which implements the European General Data Protection Regulation, came into force in July 2018. The Data Protection Act included significant changes to the previous data protection legislation. To protect personal data, the Issuer has implemented appropriate security measures in accordance with the requirements of the new legal regime, including a data protection policy. The Issuer's data protection policy specifies the personal data that the Issuer can process, for what purposes, for how long the data can be stored, which third parties may obtain access to the personal data and how the security of personal data is guaranteed. The Board of Directors has appointed a data protection officer in accordance with the Data Protection Act, who shall be appointed based on professional competence. The task of the data protection officer is primarily to supervise compliance and assist the Issuer in complying with the provisions of the Data Protection Act. Penalties for non-compliance with the Data Protection Act can be monetary fines, damages and, in severe cases, criminal liability.

Cyber security breaches, human error and other factors which cause erroneous disclosure of confidential information, infringement of rules on bank secrecy or non-compliance with the Data Protection Act can lead to significant reputational damage and costs, fines, legal proceedings or regulatory actions being brought against the Issuer by governmental authorities, customers or other third parties. This can have an adverse effect on the Issuer's business, financial condition and ability to make payments in respect of the Notes.

*Reputational risk is the risk of financial losses due to negative impressions towards the Issuer from stakeholders, such as customers, shareholders, employees, and investors. Consequences of negative impressions can lead to a lack of trustworthiness in the market, leading to a loss of customers and opportunities and, consequently, income*

The Issuer has a well-established image and positive reputation that has contributed towards attracting new customers, as well as strengthening its business relations with core customers. The Issuer's image is also reflected in the image of its key subsidiaries, Kvika Asset Management, TM Insurance and KSL, and in brands such as Aur and Netgíró. If the Issuer's, or any of its connected parties' or brands', reputation suffered significant damage, there is a risk that a substantial number of customers will terminate their business relationship and other counterparties will be reluctant to engage in further transactions with the Issuer or the Group. A loss of customers and/or business relationships would negatively impact the Issuer's revenues and its potential to obtain funding, create new business relationships and maintain existing ones.

The Issuer emphasises that customers are kept informed and regularly provided with information about new services, changes to existing services and other information that customers may benefit from. The Issuer has implemented communication procedures, detailing how communications and information flows to customers, employees, the public, regulatory bodies and shareholders are to be conducted and who is authorised to publicly discuss matters relating to the Issuer and its operations. However, any failure to adequately communicate with customers could also pose a reputational risk to the Issuer and have a negative effect on the Issuer's credibility and trustworthiness.

*The Issuer's future business growth relies on retaining qualified and experienced employees and management*

The Issuer's operations are based on the knowledge, experience and future vision of the Issuer's essential employees. There is no guarantee that these individuals will continue to work for the Issuer. The loss of such essential employees may significantly delay the attainment of the Issuer's business objectives and could negatively affect the Issuer's business, financial condition and results of operations.

To minimise risks relating to absence of essential employees, a substitute for each member of the Executive Management has been designated by each relevant member of the Executive Management. The Head of Risk Management and Head of Treasury have also designated their substitutes. The Board of Directors has been informed of the names and titles of the substitutes. Further, the Issuer's remuneration policy may, to some extent, limit the risk of loss of essential employees, but its main goal is to make the Issuer a desirable place of work for qualified and ambitious individuals and to build long-term relationships with employees. However, when the labour market experiences wage inflation, a prominent issue in Iceland's labour market in recent years, the Issuer may come under pressure to increase the salaries of its employees. Salary increases can lead to increases in the Issuer's expenditure, which could have an adverse effect on the Issuer's business, financial condition and ability to make payments in respect of the Notes.

*The Issuer's consolidated financial statements are partly based on future estimates and assumptions. Large deviations from those measures could result in future losses and adversely affect the Issuer's business*

The Consolidated Financial Statements of the Issuer have been prepared in accordance with IFRS, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. The Issuer has diverse operations with four key operating segments, which increase the level of complication in preparing consolidated financial statements. For example, the Issuer and its subsidiary, TM Insurance, are required to report under different IFRS implementations, IFRS 9 and IFRS 17.

Furthermore, in the process of applying the Issuer's accounting policies, the management makes judgements and estimates which are based on various assumptions. These judgements and estimates can affect the reported amounts of assets and liabilities and income and expenses. Assumptions and estimates are based on historical experience and other factors, including reasonable expectations of future events, and are reviewed on an on-going basis. The estimates form the basis for judgements on the carrying value of assets and liabilities, which are not readily available from other sources, and actual results may differ. Judgements may also be required in circumstances not involving estimates, for example, when determining the substance of a particular transaction, contract or relationship.

The areas where the use of judgements and estimates has the most significant effect on the amounts recognised in the statement of financial position or the income statement are the following:

**Fair value of financial instruments:** the fair value of financial instruments that are not quoted in active markets is determined using valuation techniques which are reviewed regularly. The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices. For other financial instruments, the Issuer determines fair value using various valuation techniques. IFRS 13 specifies a fair value hierarchy based on whether the inputs to those valuation techniques are observable or unobservable.

Observable inputs reflect market data obtained from independent sources, whereas unobservable inputs reflect the Issuer's market assumptions.

**Impairment of financial assets:** the use of estimates and judgements are an important component of the calculation of impairment losses. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual losses. Unforeseen events could, however, cause further impairment losses, which would have a material effect on the income statement and statement of financial position.

**Impairment of intangible assets:** the carrying amount of intangible assets are reviewed annually to determine whether there are indications of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount

**Technical provision:** The Issuer's technical provision is made up of a combination of claims provisions, premium provisions and a risk margin. Premium provisions are the part of the premiums already written that cover insurance protection against events happening after the date of finalisation of financial statements, and it also takes into account expected cancellations of premiums. The core of the claims provisions is an actuarial estimate of payments of incurred claims until they are settled, less what has already been paid. In accordance with the Act on Insurance No. 100/2016 and related legislation, the following three margins are added to the core of the claim's provisions. First, expected settlement expenses not allocated to specific claims; this cost is recognized among operating expenses when it is due. Second, the effect of future inflation from the date of accounts to payment. Third, the effect of discounting the future payments using a risk-free interest rate curve. The risk margin represents the cost of capital that an insurance company would require to take on the insurance obligations of the Issuer.

**Deferred tax assets:** judgement is required to determine the extent to which deferred tax assets are recognised in the statement of financial position, based on the likely timing and level of future taxable profits.

Any changes to the accounting principles or large deviations from the estimates and/or assumptions made in the preparation of the Issuer's financial statements could result in an adverse effect on the amounts recognised in the statement of financial position or the income statement and create future losses and adversely affect the Issuer's business. *Poor decisions and execution of projects have a negative impact on the Issuer's business and financial position*

Business risk is defined as the risk of financial loss caused by changes in the Issuer's economic environment or caused by certain events that may reduce the expected earnings of the Issuer. Strategy risk is defined as the risk of the Issuer's expected earnings and capital ratio deteriorating due to changes in the Issuer's business environment or due to unfavourable business decisions, late and unwise decision making or lack of response time. The Issuer's organisational structure is flat and its management body emphasises short channels of communication, clear allocation of responsibilities and de-centralised decision making. Furthermore, two of the Issuer's key business lines are operated through subsidiaries, whose own boards of directors are independent to the Group and operate each entity according to a shareholder policy set by the Issuer. Failure to manage business risk and strategy risk could have a negative impact on the Issuer's business or financial position. Failure to act on opportunities, unwise decision-making, or otherwise failing to set and/or implement a successful business strategy could have an adverse effect on the Issuer's business, prospects, financial position and its ability to make payments in respect of the Notes and to the Issuer's creditors.

*The Issuer's insurance coverage might not cover all losses*

The Issuer has insurance policies in place which are considered appropriate and relevant with respect to the Issuer's operations. More specifically, the Issuer has a combined comprehensive crime and professional

indemnity insurance policy, as well as a directors' and officers' liability insurance policy. Despite these insurance policies which the Issuer has in place and due to the nature of the Issuer's operations, there is no guarantee that all claims that might be lodged against the Issuer at any time would be covered, which could have a material effect on the Issuer's operations and financial conditions and therefore its ability to make payments in respect of the Notes and to the Issuer's creditors.

### ***Risks Relating to Macroeconomic and other Business Conditions***

#### *The Issuer's business is affected by local and global economic developments*

The Issuer conducts the majority of its business in Iceland. Accordingly, its performance is influenced by the level and cyclical nature of business activity in Iceland, and the overall strength of Iceland's economy, which in turn has been, and will continue to be, affected by both domestic and international economic and political factors, given the country's heavy reliance on trade in goods and services.

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

Local and global economic developments have an effect on the demand for the Issuer's investment, insurance and banking products, and have an effect on the value of the Issuer's financial instruments. A downturn in consumption of the Issuer's products and/or a decrease in value of the Issuer's own financial instruments could have an adverse effect on the Issuer's revenues, financial position and its ability to make payments in respect of the Notes and to the Issuer's creditors. *Frequent changes in tax legislation pose a general risk to entities operating in Iceland and any changes in tax legislation can affect the financial results of the Issuer*

In addition to the general risk, there is an additional tax risk regarding financial institutions, as there are taxes levied specifically on financial undertakings in Iceland in accordance with Act no. 90/2003, on Income Tax and Act no. 155/2010 on Special Tax on Financial Institutions.

Pursuant to the Value Added Tax Act no. 50/1988, with subsequent amendments (**Value Added Tax Act**), the services of banks, saving banks and other credit institutions, as well as stock-brokerage firms, are exempt from value added tax (**VAT**). However, in the VAT environment of financial undertakings, there has been some uncertainty regarding the handling of VAT on the sale of goods and services, as under the interpretation of the Icelandic tax authorities, according to the Act on Financial Undertakings, the exemption only applies to services banks or credit institutions. Services provided by banks and credit institutions could be deemed, by the tax authorities, not to fall under the Act on Financial Undertakings as there is room for interpretation.

Although the Issuer believes its collection and handling of VAT for services provided is within the scope of the Value Added Tax Act, there is no guarantee that the Icelandic tax authorities will not conclude otherwise. If that were to happen, the Issuer could be retroactively liable for six years' unpaid tax, plus penalties and interest.

There is an additional risk regarding the competitive effects of banks or credit institutions starting to claim VAT on any services provided, resulting in a competitive advantage or disadvantage with different treatment of VAT and possible material adverse effects for those claiming such VAT.

### ***Risks Relating to Capital and other Regulatory Requirements of the Issuer***

#### *Changes regarding required capital may have an adverse effect on the Issuer*

The Issuer's capital ratios are calculated in accordance with the Act on Financial Undertakings and regulation no. 233/2017 on prudential requirements for financial undertakings. In accordance with the Financial Supervisory Authority of the CBI (the **FSA**) regulation no. 233/2017, the Issuer uses the standardised approach to calculate capital requirements for credit risk, market risk and operational risk. Failure by the Issuer to meet the regulatory capital requirements could result in regulatory intervention. The regulators could impose sanctions on the Issuer and therefore severely affect the financial position and reputation of the Issuer.

### ***Legal and Regulatory Risk***

*Regulatory, compliance and legal risks are inherent in the Issuer's business*

As a financial institution, the Issuer must comply with a comprehensive set of laws and regulations which are extensive and complex. The legal and regulatory environment of the Issuer is constantly subject to change and changes often with a short period of notice and consultation. The Issuer puts substantial resources and man-power into monitoring and implementing these changes to ensure full compliance. The regulatory and compliance risk faced by the Issuer and its subsidiaries arise not only from regulation within Iceland or specific to financial services firms, but also from other, more broadly applicable regulations and from risks relating to the ability of regulatory agencies and Icelandic authorities to adopt, implement and administer applicable regulations and to supervise Icelandic banks, including the Issuer. Regulatory agencies have broad administrative powers over many aspects of the Issuer's business which may include liquidity, capital adequacy and permitted investments, investor protection, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking and financial services laws, regulations and policies currently governing the Issuer and its subsidiaries may change at any time in ways which have a material effect on the Issuer's business. This includes any changes in interpretation of such laws and regulations by regulatory agencies.

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

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

There can be no assurance that the Icelandic government will not enact new regulations which could have an adverse effect on the Issuer's business, prospects, financial positions, its ability to make payments in respect of the Notes and the Issuer's creditors.

*The Issuer must comply with anti-money laundering and anti-bribery regulations, and the violation of such regulations may have severe consequences*

The Issuer is subject to laws regarding money laundering and the financing of terrorism, as well as laws that prohibit the Issuer or its employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business.

Compliance with anti-money laundering and anti-bribery regulations can place a significant financial burden on banks and other financial institutions and requires significant technical capabilities and resources. The Fourth Money Laundering Directive (2015/849/EU) has been implemented with Act No. 140/2018. However, the Issuer cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject, or the manner in which existing laws might be administered or interpreted. Although the Issuer believes that its current policies and procedures are sufficient to comply with applicable anti-money laundering, anti-bribery and sanctions rules and regulations, it cannot guarantee that such policies completely prevent situations of money laundering or bribery, including actions by the Issuer's employees, for which the Issuer might be held responsible. Any such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on the Issuer's business, prospects, financial position and/or results of operations, and its ability to make payments in respect of the Notes.

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

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

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

A judgment entered against a company incorporated in Iceland in the courts of a state which is not a party to the Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters made in Lugano on 30 October 2007 (the **Lugano Convention**) (a **Contracting State**), would not be recognised or enforceable in Iceland as a matter of law without a retrial on its merits. However, the judgment will be of persuasive authority as a matter of evidence before the courts of Iceland. As at the date of this Base Prospectus, the UK and Iceland are not bound by any agreement, treaty or other instrument on mutual recognition and enforcement of judgments applicable in relation to the Notes.

The UK has applied to re-accede to the Lugano Convention as an independent contracting state, but the other contracting states have, as at the date of this Base Prospectus, not approved the application. As a result, a final judgment in civil or commercial matters relating to the Notes obtained in the courts of England against the Issuer, will, in principle, neither be recognised nor enforceable in Iceland. However, if a Noteholder brings a new action in a competent court in Iceland, the final judgment rendered in an English court may be

submitted to the Icelandic court, but will only be regarded as evidence of the outcome of the dispute to which it relates, and the Icelandic court has full discretion to rehear the dispute, *ab initio*. Any retrial on a judgment's merits could therefore significantly delay or prevent the enforcement by Noteholders of the Issuer's obligations under the Notes.

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

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

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

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

Typically, the claims of holders of senior ranking unsecured debt instruments, such as the Senior Preferred Notes or Senior Non-Preferred Notes, issued by a financial institution holding bank deposits would not be subordinated to the claims of depositors. However, in Iceland, Article 102 of the Act on Financial Undertakings provides that, should such financial institution, such as the Issuer, enter into winding-up proceedings pursuant to Article 101 of the Act on Financial Undertakings, then the claims of holders of senior unsecured unsubordinated debt would be subordinated to the claims of *all* of the Issuer's depositors. Moreover, the Hierarchy of Claims Act No. 38/2021 (as defined herein) was enacted into law by the Icelandic Parliament on 4 May 2021. The Hierarchy of Claims Act amends the Act on Financial Undertakings and introduces a new Article 85(a) to the Act on Recovery and Resolution which provides in part that, in a winding-up: (x) claims of certain types of the Issuer's depositors will have priority over other kinds of bank deposits (i.e. the inner ranking within deposits will change), but (y) all types of bank deposits will, as a group, rank higher than the claims of the Issuer's senior unsecured unsubordinated debt obligations. Hence, under current Icelandic law, the claims of holders of senior unsecured unsubordinated debt (which would include Senior Preferred Notes as well as Senior Non-Preferred Notes) are subordinated to the claims of all of the Issuer's depositors in a winding-up of the Issuer. If a winding-up of the Issuer were to occur, there may not be sufficient assets in the resulting estate to pay the claims of such Noteholders after the claims of depositors have been paid.

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

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

On a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority (referred to herein as a **winding-up of the Issuer**), all claims in respect of the Subordinated Notes will rank *pari passu* without any preference among themselves, at least *pari passu* with present or future claims in respect of Parity Securities (as defined in Condition 3.5), in priority to any present or future claims in respect of Junior Securities (as defined in Condition 3.5) and junior to any present or future claims in respect of Senior Creditors (as defined in Condition 3.5). If, on a winding-up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of the Senior Creditors in full, the Noteholders will lose their entire investment in the Subordinated Notes. If there are sufficient assets to enable the Issuer to pay the claims of Senior Creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Subordinated Notes and all other claims of Parity Securities, Noteholders will lose some (which may be substantially all) of their investment in the Subordinated Notes.

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

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

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

The Hierarchy of Claims Act 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 3.2 (Status of Senior Non-Preferred Notes), the Issuer intends that its Senior Non-Preferred Notes will constitute part of this new, lower-ranking (un-preferred) 'senior' unsecured class, that will rank below its Senior Preferred Notes but ahead of the Subordinated Notes.

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

On a winding-up of the Issuer, all claims in respect of the Senior Non-Preferred Notes will rank *pari passu* without any preference among themselves, *pari passu* with all other Senior Non-Preferred Liabilities of the Issuer (as defined in Condition 3.5), senior to holders of all classes of share capital of the Issuer and any subordinated obligations or other securities of the Issuer which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Issuer (including, without limitation, any Subordinated Notes) and will rank junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Senior Non-Preferred Liabilities of the Issuer. If, on a winding-up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of the unsubordinated creditors in full, the Noteholders will lose their entire investment in the Senior Non-Preferred Notes. If there are sufficient assets to enable the Issuer to pay the claims of unsubordinated creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Senior Non-Preferred Notes or all other claims that rank *pari passu* with the Senior Non-Preferred Notes, holders of Senior Non-Preferred Notes will lose some (which may be substantially all) of their investment in the Senior Non-Preferred Notes.

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

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

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



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

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

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

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

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

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

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

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

Where the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify that Condition 6.11 (in the case of Subordinated Notes) or Condition 6.12 (in the case of Senior Preferred Notes and Senior Non-Preferred Notes) applies, if at any time a Capital Event (in the case of Subordinated Notes), an MREL Disqualification Event (in the case of Senior Preferred Notes and Senior Non-Preferred Notes) or a Tax Event (in any case) occurs, or to ensure the effectiveness or enforceability of Condition 17, the Issuer may, subject to obtaining the prior written consent of the Relevant Regulator (if such consent is required), but without the requirement for the consent or approval of the Noteholders, either substitute all, but not some only, of the relevant Notes for, or vary the terms of the relevant Notes (including changing the governing law of Condition 17 from English law to Icelandic law), as the case may be, so that they remain or, as appropriate, become, in the case of Subordinated Notes, Subordinated Qualifying Securities (as defined in Condition 6.11), in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined in Condition 6.12) or, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities (as defined in Condition 6.12), as the case may be, as further provided in Condition 6.11 and Condition 6.12 (as applicable). The terms and conditions of such substituted or varied Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, may have terms and conditions that contain one or more provisions that are substantially different from the terms and conditions of the original Senior

Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, provided that the relevant Senior Preferred Notes, the relevant Senior Non-Preferred Notes or the relevant Subordinated Notes remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities or, in the case of Subordinated Notes, Subordinated Qualifying Securities, as the case may be, in accordance with the Terms and Conditions of the Notes. While the Issuer cannot make changes to the terms of the Notes that, in its reasonable opinion, are materially less favourable to the holders of the relevant Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, as a class, the governing law of Condition 17 may be changed from English law to Icelandic law in order to ensure the effectiveness and enforceability of such condition. No assurance can be given as to whether any of these changes will negatively affect any particular holder. In addition, the tax and stamp duty consequences of holding such substituted or varied Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, prior to such substitution or variation.

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

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

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

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

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest rate may affect the

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

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

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates compared to prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility compared to more conventional interest-bearing securities with comparable maturities. Any such price volatility may have an adverse effect on the market value of any Notes issued at a substantial discount or premium to their principal amount.

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

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

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

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

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on

the value of and return on any Notes linked to, referencing, or otherwise dependent, in whole or in part, upon a benchmark.

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

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

Investors should be aware that, if a benchmark rate were discontinued or otherwise unavailable, the rate of interest on Reset Notes and Floating Rate Notes which are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions applicable to such Notes. The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable or if a Benchmark Event (as defined in the Terms and Conditions and including, for example, if the Original Reference Rate has ceased to be published or if there is a public statement by the supervisor of the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative or may no longer be used) otherwise occurs.

If the circumstances described in the preceding paragraph occur and (i) in the case of Floating Notes, Reference Rate Replacement is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable and Screen Rate Determination is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as the manner in which the rate of interest is to be determined or (ii) in the case of Reset Notes, Mid-Swap Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being the relevant Reset Reference Rate and Reference Rate Replacement is also specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable (any such Notes, **Relevant Notes**), such fallback arrangements will include the possibility that:

- (i) the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a Successor Reference Rate or an Alternative Reference Rate (as applicable) determined by the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner; and
- (ii) such Successor Reference Rate or Alternative Reference Rate (as applicable) may be adjusted (if required) by the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant Original Reference Rate with the relevant Successor Reference Rate or Alternative Reference Rate (as applicable),

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

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

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

In addition, in the case of Relevant Notes, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner may also determine that other amendments to the Terms and Conditions of the Notes are necessary in order to follow market practice in relation to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and to ensure the proper operation of the relevant Successor Reference Rate or Alternative Reference Rate (as applicable).

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

In certain circumstances, the ultimate fallback for determining the rate of interest for a particular Interest Period or Reset Period (as applicable) may result in the rate of interest for the last preceding Interest Period or Reset Period (as applicable) being used. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page for the purposes of determining the rate of interest in respect of an Interest Period or a Reset Period (as applicable). In addition, in the case of Relevant Notes, due to the uncertainty concerning the availability of Successor Reference Rates and Alternative Reference Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Reset Notes. Investors should note that, in the case of Relevant Notes, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, will have discretion to adjust the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder, any such adjustment will be favourable to each Noteholder.

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

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

*In respect of any Notes issued with a specific use of net proceeds, such as “Green Financing Instruments”, such use of net proceeds may not be suitable for the investment criteria of an investor*

As described in the section “*Use of Proceeds*” of this Base Prospectus, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation to a particular Tranche of Notes (any such Notes, Green Financing Instruments) may provide that it will be the Issuer's intention to apply an amount equal to the net proceeds of the issue of such Green Financing Instruments to finance or refinance, in whole or in part, the Issuer's investments in Eligible Assets, as further described in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and the Green Financing Framework (as defined below). The use of such proceeds may not satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Assets as further described in the Green Financing Framework).

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green”, “blue” or “social” or equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green”, “blue” or “social” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. A basis for the determination of such a definition has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the **Sustainable Finance Taxonomy Regulation**) on the establishment of a framework to facilitate sustainable investment (the **EU Sustainable Finance Taxonomy**). On 21 April 2021, the European Commission approved the first delegated act and the Delegated Regulation supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council (the **EU Taxonomy Climate Delegated Act**) was formally adopted on 4 June 2021. The EU Taxonomy Climate Delegated Act is aimed at supporting sustainable investment by making it clear which economic activities most contribute to the EU's environmental objectives. The EU Taxonomy Climate Delegated Act sets out criteria for economic activities in the sectors that are most relevant for achieving climate neutrality and delivering on climate change adaptation. This includes sectors such as energy, forestry, manufacturing, transport and buildings. Criteria for other environmental objectives will follow in a later delegated act, in line with mandates in the Sustainable Finance Taxonomy Regulation. Until all criteria for such objectives have been developed and disclosed it is not known whether any Green Financing Instruments will satisfy those criteria. Accordingly, alignment with the EU Sustainable Finance Taxonomy, once all criteria is established, is not certain. In addition, the requirements of any such definition may evolve from time to time, and, as such, the use of the proceeds of Green Financing Instruments may not meet any or all Noteholders expectations regarding such “green”, “blue” or “social” or other equivalently-labelled performance objectives.

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

In the event that any such Green Financing Instruments are listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), such listing or admission may not satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or

future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any eligible projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Such listing or admission to trading obtained in respect of any such Green Financing Instruments may not be maintained during the life of the Green Financing Instruments.

Whilst it is the intention of the Issuer to apply an amount equal to the net proceeds of the Green Financing Instruments in, or substantially in, the manner described in the Green Financing Framework, the related projects may not be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and accordingly such proceeds may not be totally or partially disbursed for such projects. Such projects may not be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. None of the Dealers will assess, verify or monitor the application of the amount equal to the net proceeds of any such Green Financing Instruments issued under the Programme.

Any such event or failure by the Issuer to apply an amount equal to the net proceeds of any issue of Green Financing Instruments will not (i) give rise to any claim of a Noteholder against the Issuer; (ii) constitute an Enforcement Event under the Notes or a default of the Issuer for any purpose; (iii) lead to an obligation of the Issuer to redeem such Green Financing Instruments or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Green Financing Instruments; or (iv) in the case of Subordinated Notes, affect the qualification of such Notes as Tier 2 Capital or, in the case of Senior Preferred Notes or Senior Non-Preferred Notes, affect the qualification of such Notes as MREL Eligible Liabilities, as applicable.

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

### ***Risks related to the market generally***

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

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

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

*If an investor holds Notes which are not denominated in the investor's home currency, the investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in the investor not receiving payments on those Notes*

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

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

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

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

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

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

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

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA



Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of any rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

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

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

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

Directive 2014/59/EU (the **Bank Recovery and Resolution Directive** or **BRRD**) is designed to provide the respective authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing relevant entity. This set of tools includes in particular the “bail-in tool” which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity and to convert certain unsecured debt claims (including Notes) to equity. For more information on the Bank Recovery and Resolution Directive, see “*Business Overview — Regulatory and Tax Environment — European Bank Recovery and Resolution Directive*”.

The BRRD has been implemented in Iceland with Act 54/2018 amending the Act on Financial Undertakings No. 161/2002, by Act 70/2020 on the Recovery and Resolution of Credit Institutions and Investment Firms, and more recently, by the Hierarchy of Claims Act making further amendments to the Act on Financial Undertakings, the Recovery and Resolution Act and the Deposit Insurance and Insurance Schemes Act No. 98/1999.

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

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

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

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

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

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

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

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

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

Any such modification will be binding on all the Noteholders of the relevant Series of Notes.

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

Except for the provisions of Condition 3, the Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. Condition 3 shall be governed by, and construed in accordance with, Icelandic law. No assurance can be given as to the impact of any possible judicial decision or change to English or Icelandic law or administrative practice, as the case may be, after the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English or Icelandic law, as the case may be, or administrative practice after the date of issue of the relevant Notes and any such change could materially adversely impact the value of any Notes affected by it.

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

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

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

As a result, there are circumstances in which a law other than English law or Icelandic law, as the case may be, may determine whether certain Terms and Conditions of the Notes are enforceable against the Issuer. It

should be noted in this context that there may be circumstances in which proceedings arising out of or in connection with the Terms and Conditions of the Notes may be brought in courts other than the English courts and/or in which the English courts may refuse to hear proceedings brought before them.

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

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

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

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

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

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (i) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2019 (including the auditors' report thereon) (the **2019 Financial Statements**) which can be viewed online at <https://www.kvika.is/asset/2776/kvika-consolidated-financial-statements-31.12.2019.pdf>;
- (ii) the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2020 (including the auditors' report thereon) (the **2020 Financial Statements**) which can be viewed online at <https://www.kvika.is/asset/4143/kvika-consolidated-financial-statements-31-12-2020.pdf>; and
- (iii) the unaudited consolidated financial statements of the Issuer for the nine months ended 30 September 2021 which can be viewed online at <https://www.kvika.is/asset/4466/kvika-condensed-interim-consolidated-financial-statements-30.pdf>; and
- (iv) the unaudited reviewed consolidated financial statements of the Issuer for the six months ended 30 June 2021 which can be viewed online at <https://www.kvika.is/asset/4372/kvika-condensed-interim-consolidated-financial-statements-30.06.21.pdf>.

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

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

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

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

## OVERVIEW OF THE PROGRAMME

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

This Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 (the **Delegated Regulation**).

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

Issuer:	Kvika banki hf.
Issuer Legal Entity Identifier (LEI):	254900WR3I1Z9NPC7D84
Description:	Euro Medium Term Note Programme
Arranger:	Swedbank AB (publ)
Dealers:	Jefferies GmbH Kvika banki hf. Nordea Bank Abp Swedbank AB (publ)  and any other Dealers appointed in accordance with the Programme Agreement.
Programme Size:	Up to €500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Base Prospectus.

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

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription*”

*and Sale”.*

Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Currencies:	Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.
Maturities:	<p>The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.</p> <p>Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see “<i>Certain Restrictions - Notes having a maturity of less than one year</i>” above.</p>
Issue Price:	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in (i) bearer form or (ii) registered form, in each case as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes. Bearer Notes will not be exchangeable for Registered Notes.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"><li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating either the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. (<b>ISDA</b>), and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series), or the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (as published by ISDA as at the Issue Date of the first Tranche of the Notes of the relevant Series) as specified in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement); or</li><li>(b) subject to the successor or alternative reference rate provisions in Condition 5.3, on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service.</li></ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>

Floating Rate Notes may also have a maximum interest rate, a minimum

interest rate or both.

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

**Reset Notes:**

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

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

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

**Zero Coupon Notes:**

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

**Change of Interest Basis:**

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

**Redemption:**

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

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



redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

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

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “*Certain Restrictions - Notes having a maturity of less than one year*” above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA or the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation or the FSMA (as applicable) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, except as required by law, as provided in Condition 8. In the event that any such deduction is made, in the case of a payment of interest only, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:

The terms of the Notes will not contain a negative pledge provision.

Enforcement Events:

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

Status of the Senior Preferred Notes:

The Senior Preferred Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall rank *pari passu* among themselves and (subject to such mandatory exceptions as are from time to time applicable under Icelandic law) at least *pari passu* with all other unsecured obligations of the Issuer from time to time outstanding and senior to any Senior Non-Preferred Liabilities of the Issuer, from time to time outstanding.

In relation to obligations required to be preferred by law, current Icelandic law provides that, in the event that the Issuer enters into winding-up proceedings pursuant to Article 101 of the Act on Financial Undertakings, the claims of the holders of the Notes and any relative Coupons will be subordinated to the claims of all of the Issuer's depositors.

Status of the Senior Non-Preferred Notes:

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

In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) shall rank:

- (i) *pari passu* without preference among themselves;
- (ii) *pari passu* with all other Senior Non-Preferred Liabilities of the Issuer;
- (iii) senior to holders of all classes of share capital of the Issuer and any subordinated obligations or other securities of the Issuer which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Issuer (including, without limitation, any Subordinated Notes); and
- (iv) junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Senior Non-Preferred Liabilities of the Issuer.

Status of the Subordinated Notes:

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

In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) shall rank:

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

Subordinated Notes – Substitution or Variation:

Where the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify that Condition 6.11 applies, if at any time a Tax Event or a Capital Event occurs, or to ensure the effectiveness or enforceability of Condition 17, the Issuer may, subject to the provisions of Condition 6.13 (if, and to the extent so required), either substitute all,

but not some only, of the Subordinated Notes for, or vary their terms (including changing the governing law of Condition 17 from English law to Icelandic law) so that they remain or, as appropriate, become, Subordinated Qualifying Securities (as defined in Condition 6.11), as further provided in Condition 6.11.

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

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

Use of Proceeds:

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

- (a) used for the Issuer's general corporate purposes; or
- (b) used to finance or refinance, in whole or in part, the Issuer's investments in Eligible Assets, as further described in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and the Issuer's Green Financing Framework dated October 2021 (as amended or supplemented from time to time) (the **Green Financing Framework**) available on the Issuer's website (<https://www.kvika.is/asset/4429/green-financing-1.7.pdf>); or
- (c) used to finance any other particular identified use of proceeds as stated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

Listing and Admission to  
Trading:

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

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

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

markets.

Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law, except for the provisions of Condition 3 which shall be governed by, and construed in accordance with, Icelandic law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, Hong Kong, Singapore, Switzerland, the UK and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “ <i>Subscription and Sale</i> ”.
United States Selling Restrictions:	Regulation S, Category 2 and TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.
Exempt Notes:	The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event the relevant provisions will be included in the relevant Pricing Supplement (as defined herein).

## FORM OF THE NOTES

The Notes of each Series will be in (i) bearer form, with or without interest coupons attached or (ii) registered form, without interest coupons attached.

### **Bearer Notes**

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

- (a) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking SA (**Clearstream, Luxembourg** and, together with Euroclear, the **International Central Securities Depositories** or **ICSDs**); or
- (b) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

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

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

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

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

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

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

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.”

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

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

### **Registered Notes**

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

The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will specify whether or not such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility

and therefore whether such Registered Global Notes are intended to be held under the New Safekeeping Structure (the **NSS**). Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. Notes intended to be held under the NSS will be deposited with, and registered in the name of a common nominee of, one of the ICSDs acting as common safekeeper. The common safekeeper for Notes held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Enforcement Event has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

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

## **General**

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

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

A Note may be accelerated by the holder thereof in certain limited circumstances described in Condition 9. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on the day immediately following such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 21 December 2021 and executed by the Issuer.

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

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

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

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



## FORM OF FINAL TERMS

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

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended) (**MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended) (the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup> *[Include unless the Final Terms specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”]*

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 (as amended) (**FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>2</sup> *[Include unless the Final Terms specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”]*

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

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

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

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

**[<sup>4</sup>UK MIFIR product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Details of any negative target market to be included if applicable]*. Any person subsequently offering, selling or recommending the Notes (**a distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

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

**[<sup>9</sup>UK MIFIR product governance / Retail investors, professional investors and ECPs** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; **EITHER**<sup>10</sup> [and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services] **OR** <sup>11</sup>[(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][ non-advised sales ][and pure execution services][, subject to the distributor's suitability and appropriateness

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

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

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

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

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

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

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

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

obligations under COBS, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable]<sup>12</sup>.]

**[Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are [“prescribed capital markets products”]/[“capital markets products other than prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [“Excluded Investment Products”]/[“Specified Investment Products”] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

[Date]

**KVIKA BANKI HF.**

(incorporated with limited liability in Iceland)

**Legal entity identifier (LEI): 254900WR3I1Z9NPC7D84**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €500,000,000  
Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 21 December 2021 (the **Base Prospectus**) [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of [Regulation (EU) 2017/1129 (for the purposes of these Final Terms, the **Prospectus Regulation**)] [the Prospectus Regulation]. This document constitutes the Final Terms of the Notes described herein for the purpose of the Prospectus Regulation and must be read in conjunction with the Base Prospectus [as so supplemented] in order to obtain all the relevant information. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website [of [the Issuer] at [●]] [and on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>]] and copies may be obtained during normal business hours from the registered office of the Issuer at Katrínartún 2, 105 Reykjavík, Iceland and from the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

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

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

1. Issuer: Kvika banki hf.

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

2. (a) Series Number: [ ]
- (b) Tranche Number: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and from a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [ ]]] [Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
- (a) Series: [ ]
- (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [ ]
- (In the case of Registered Notes this means the minimum integral amount in which transfers can be made)*
- (N.B. Where Bearer Notes with multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:*
- “€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.”)*
- (b) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate or reset rate - specify date/  
Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]

9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[ ] month [EURIBOR/NIBOR/STIBOR/REIBOR] +/-  
[ ] per cent. Floating Rate]  
[Reset Notes]  
[Zero Coupon]  
(see paragraph [14][15][16][17] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date], paragraph [14/15/16/17] applies, and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [14/15/16/17] applies]/[Not Applicable]
12. Put/Call Options: [Issuer Call]  
  
[Clean-up Redemption Option]  
  
[Not Applicable]  
  
[(see paragraph [18][19][20] below)]
13. (a) Status of the Notes: [Senior Preferred/Senior Non-Preferred/Subordinated]  
  
(If Subordinated Notes include:)
- (i) [Redemption upon occurrence of Capital Event: [Applicable – Condition 6.3 applies/Not Applicable]
- (ii) Substitution or variation: [Applicable – Condition 6.11 applies/Not Applicable]
- (If Senior Non-Preferred or Senior Preferred Notes include:)
- (i) [Redemption upon occurrence of an MREL Disqualification Event: [Applicable – Condition 6.4 applies/Not Applicable]
- (ii) Substitution or variation: [Applicable – Condition 6.12 applies/Not Applicable]]
- (b) Date Board approval for issuance of Notes obtained: [ ]  
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] [and [ ]] in each year up to and including the Maturity Date  
*(N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s): [[ ] per Calculation Amount]/[Not Applicable]  
*(Applicable to Notes in definitive form)*
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]  
*(Applicable to Notes in definitive form)*
- (e) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year]/[Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)*
15. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]

- (f) Screen Rate Determination:
- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [ ] month [EURIBOR/NIBOR/STIBOR/REIBOR]  
Relevant Time: [ ] in the Relevant Financial Centre  
Relevant Financial Centre: [London/Brussels/Oslo/Stockholm/Reykjavík]
  - Interest Determination Date(s): [ ]  
*(Second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR. For NIBOR, STIBOR and REIBOR, insert second [Oslo/Stockholm/Reykjavík] business day prior to the start of each Interest Period)*
  - Relevant Screen Page: [ ]
  - Reference Rate Replacement: [Applicable/Not Applicable]
- (g) ISDA Determination:
- ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]
  - Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]

16. Reset Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Initial Rate of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
  - (b) First Reset Margin: [+/-][ ] per cent. per annum
  - (c) Subsequent Reset Margin: [[+/-][ ] per cent. per annum]/[Not Applicable]
  - (d) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
  - (e) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[ ] per Calculation Amount]/[Not Applicable]
- (Applicable to Notes in definitive form)*
- (f) Broken Amount(s) up to (but excluding) the First Reset Date: [[ ] per Calculation Amount payable on the Interest Payment Date falling on [ ]]/[Not Applicable]
- (Applicable to Notes in definitive form)*
- (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]
  - (h) First Reset Date: [ ]
  - (i) Second Reset Date: [[ ]]/[Not Applicable]
  - (j) Subsequent Reset Date(s): [[ ] [and [ ]]/[Not Applicable]
  - (k) Reset Determination Date(s): [ ]
- (specify in relation to each Reset Date)*
- (l) Relevant Time: [ ]
  - (m) Relevant Screen Page: [ ]
  - (n) Reset Reference Rate: [Mid-Swap Rate]/[Reference Bond]/[CMT Rate]
  - (o) Reset Reference Rate Conversion: [Applicable/Not Applicable]



- (p) Original Reset Reference [Annual/Semi-annual/Quarterly/Monthly/Not Applicable]  
Rate Payment Basis:
- (q) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Reference Rate [Applicable/Not Applicable]  
Replacement:
  - Mid-Swap Floating [ ]  
Leg Maturity:
  - Initial Mid-Swap [Applicable/Not Applicable]  
Rate Final Fallback:  
*(If not applicable, delete “Initial Mid-Swap Rate” immediately below)*
  - Initial Mid-Swap  
Rate: [ ] per cent.
  - Reset Period [Applicable/Not Applicable]  
Maturity Initial Mid-Swap Rate Final  
Fallback: *(If not applicable, delete “Reset Period Maturity Initial Mid-Swap Rate” immediately below)*
  - Reset Period [ ] per cent.  
Maturity Initial Mid-Swap Rate:
  - Last Observable Mid- [Applicable/Not Applicable]  
Swap Rate Final  
Fallback:
- (r) First Reset Period Fallback [ ]/[Not Applicable]  
Yield:  
*(N.B. only applicable where the Reset Reference Rate is Reference Bond or CMT Rate)*
- (s) Fallback Relevant Time: [ ]/[Not Applicable]  
*(N.B. only applicable where the Reset Reference Rate is CMT Rate)*
- (t) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (u) Determination Date(s): [[ ] in each year]/[Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a*

*long or short first or last coupon.)*

17. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Accrual Yield: [ ] per cent. per annum

(b) Reference Price: [ ]

(c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]

[Actual/365]

## PROVISIONS RELATING TO REDEMPTION

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

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount: [ ] per Calculation Amount

(c) If redeemable in part:

(i) Minimum Redemption Amount: [ ]

(ii) Maximum Redemption Amount: [ ]

(d) Notice period (if other than as set out in the Conditions): [ ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*

19. Final Redemption Amount: Each Note will be redeemed at its principal amount

20. Clean-up Redemption Option: [Applicable/Not Applicable]  
*(No Clean-up Redemption Option will be permitted prior to five years from the Issue Date with respect to Subordinated*

Notes)

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

- (a) Clean-up Percentage: [75 per cent. / [ ] per cent.]
- (b) Clean-up Redemption Amount: [ ] per Calculation Amount
- (c) Notice Period (if other than as set out in the Conditions): [ ]
- (d) Clean-up Redemption Date: [ ]

*(in the case of Subordinated Notes, the first Clean-up Redemption Date shall be at least five years after the Issue Date)*

- 21. Early Redemption Amount payable on redemption for taxation reasons or upon the occurrence of a Capital Event or an MREL Disqualification Event (as applicable): [ ] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22. Form of Notes:

- (a) Form: [Bearer Notes

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

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

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

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

[Registered Notes:

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

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

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

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

24. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

Signed on behalf of Kvika banki hf. :

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

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

### 2. RATINGS

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

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

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

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

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

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

- (i) Reasons for the offer: [General corporate purposes]
- [The Notes constitute Green Financing Instruments and an amount equal to the net proceeds of the issue of the Notes will be used to finance or refinance, in whole or in part, the Issuer's investments in Eligible Assets , as further described in the Issuer's Green Financing Framework dated October 2021 (as amended or supplemented from time to time) available on the Issuer's website] *[For Green Financing Instruments only, include weblink for relevant framework and any other relevant*

information]

[Specify other]

(ii) Estimated net proceeds: [ ]

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

Indication of yield: [ ]

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

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

[As far as the Issuer is aware, *[specify benchmark (as this term is defined in the Benchmarks Regulation)]* [does not fall within the scope of Regulation (EU) 2016/1011 by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of Regulation (EU) 2016/1011 apply] such that *[legal name of the benchmark administrator]* is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).]

**7. OPERATIONAL INFORMATION**

(i) ISIN: [ ]

(ii) Common Code: [ ]

(iii) CFI: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]

(iv) FISN: [[See/[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]

*(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

- |        |  |  |
|--------|--|--|
| (vi)   | Delivery:  | Delivery [against/free of] payment   |
| (vii)  | Names and addresses of additional Paying Agent(s) and/or Transfer Agent(s) (if any): | [   ]  |
| (viii) | Intended to be held in a manner which would allow Eurosystem eligibility:            | <p>[Yes, Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] <i>[include this text for Registered Notes which are to be held under the NSS]</i> and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]</p> <p>[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS <i>[include this text for Registered Notes which are to be held under the NSS]</i>. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]</p> <p>[Not Applicable]</p> |

## 8. DISTRIBUTION

- |       |                                    |  |
|-------|------------------------------------|--|
| (i)   | Method of distribution:            | [Syndicated/Non-syndicated]            |
| (ii)  | If syndicated, names of Managers:  | [Not Applicable/ <i>give names</i> ]   |
| (iii) | Date of Subscription Agreement:    | [   ]                                  |
| (iv)  | Stabilising Manager(s) (if any):   | [Not Applicable/ <i>give name(s)</i> ] |
| (v)   | If non-syndicated, name of Dealer: | [Not Applicable/ <i>give name</i> ]    |

(vi) TEFRA applicability: [TEFRA D/TEFRA C/TEFRA not applicable]

(vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

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

## **9. THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]



## FORM OF PRICING SUPPLEMENT

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

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended) (**MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended) (the **PRIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][Include unless the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”]<sup>13</sup>

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA (the **UK Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][Include unless the Pricing Supplement specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”]<sup>14</sup>

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

**[Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are [“prescribed capital markets products”]/[“capital markets products other than prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [“Excluded Investment Products”]/[“Specified Investment Products”] (as defined in MAS Notice SFA 04-

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

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

N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

[Date]

**KVIKA BANKI HF.**

*(incorporated with limited liability in Iceland)*

**Legal entity identifier (LEI): 254900WR3I1Z9NPC7D84**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the €500,000,000  
Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to either Article 3 of the Prospectus Regulation or section 85 of the FSMA or to supplement a prospectus pursuant to either Article 23 of the Prospectus Regulation or Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer.]<sup>15</sup>

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 21 December 2021 (the **Base Prospectus**) [as supplemented by the supplement[s] dated [ ] [and [ ]]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin> and copies may be obtained during normal business hours from the registered office of the Issuer at Katrínartún 2, 105 Reykjavík, Iceland and from the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

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

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

- |    |  |  |
|----|--|--|
| 1. | Issuer:  | Kvika banki hf.  |
| 2. | (a) Series Number:   | [ ]  |
|    | (b) Tranche Number:  | [ ]  |
|    | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and from a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [ ]]] [Not Applicable] |

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

3. Specified Currency or Currencies: [   ]
4. Aggregate Nominal Amount:
- (a) Series: [   ]
- (b) Tranche: [   ]
5. Issue Price: [   ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (a) Specified Denominations: [   ]
- (In the case of Registered Notes this means the minimum integral amount in which transfers can be made)*
- (N.B. Where Bearer Notes with multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:*
- “€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.”)*
- (b) Calculation Amount: [   ]
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [   ]
- (b) Interest Commencement Date: *[specify/Issue Date/Not Applicable]*
- (N.B. An Interest Commencement Date will not be relevant for Zero Coupon Notes.)*
8. Maturity Date: *[Fixed rate or reset rate - Specify date/ Floating Rate - Interest Payment Date falling in or nearest to the [specify month and year]]*
9. Interest Basis: [[   ] per cent. Fixed Rate]  
[[   ] month [EURIBOR/NIBOR/STIBOR/REIBOR] +/-  
[   ] per cent. Floating Rate]  
[Reset Notes]  
[Zero Coupon]  
[specify other]  
(see paragraph [14][15][16][17] below)
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early

redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount]/*[specify other]*

11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) *[date]*, paragraph [14/15/16/17] applies, and for the period from (and including) *[date]*, up to (and including) the Maturity Date, paragraph [14/15/16/17] applies]/[Not Applicable]

12. Put/Call Options: [Issuer Call]  
[Clean-up Redemption Option]  
[Not Applicable]  
[(see paragraph [18][19][20] below)]

13. (a) Status of the Notes: [Senior Preferred/Senior Non-Preferred/Subordinated]

*(If Subordinated Notes include:*

(i) Redemption upon occurrence of a Capital Event: [Applicable – Condition 6.3 applies/Not Applicable]

(ii) Substitution or variation: [Applicable – Condition 6.11 applies/Not Applicable]

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

(i) Redemption upon occurrence of an MREL Disqualification Event: [Applicable – Condition 6.4 applies/Not Applicable]

(ii) Substitution or variation: [Applicable – Condition 6.12 applies/Not Applicable]

(b) Date Board approval for issuance of Notes obtained: [ ]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)*

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

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date

- (b) Interest Payment Date(s): [ ] [and [ ]] in each year up to and including the Maturity Date  
(*N.B. This will need to be amended in the case of long or short coupons*)
- (c) Fixed Coupon Amount(s): [[ ] per Calculation Amount]/[Not Applicable]  
(*Applicable to Notes in definitive form*)
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]/[Not Applicable]  
(*Applicable to Notes in definitive form*)
- (e) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/[specify other]
- (f) Determination Date(s): [[ ] in each year]/[Not Applicable]  
(*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*)
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]  
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (c) Additional Business Centre(s): [ ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]
- (f) Screen Rate Determination:

- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [ ] month [EURIBOR/NIBOR/STIBOR/REIBOR/*specify other*]  
Relevant Time: [ ] in the Relevant Financial Centre  
Relevant Financial Centre: [London/Brussels/Oslo/Stockholm/Reykjavík/*specify other*]
  - Interest Determination Date(s): [ ]  
(*Second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR. For NIBOR, STIBOR and REIBOR, insert second [Oslo/Stockholm/Reykjavík] business day prior to the start of each Interest Period*)
  - Relevant Screen Page: [ ]
  - Reference Rate Replacement: [Applicable/Not Applicable]
- (g) ISDA Determination:
- ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]
  - Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (i) Margin(s): [+/-] [ ] per cent. per annum
- (j) Minimum Rate of Interest: [ ] per cent. per annum
- (k) Maximum Rate of Interest: [ ] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360] [360/360] [Bond Basis]  
[30E/360] [Eurobond Basis]  
[30E/360 (ISDA)]  
[*specify other*]
- (m) Fall back provisions, rounding provisions, [ ]

denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

16. Reset Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Initial Rate of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
  - (b) First Reset Margin: [+/-][ ] per cent. per annum
  - (c) Subsequent Reset Margin: [[+/-][ ] per cent. per annum]/[Not Applicable]
  - (d) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
  - (e) Fixed Coupon Amount up to (but excluding) the First Reset Date:  
*((Applicable to Notes in definitive form))* [[ ] per Calculation Amount]/[Not Applicable]
  - (f) Broken Amount(s) up to (but excluding) the First Reset Date:  
*((Applicable to Notes in definitive form))* [[ ] per Calculation Amount payable on the Interest Payment Date falling on [ ]]/[Not Applicable]
  - (g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]
  - (h) First Reset Date: [ ]
  - (i) Second Reset Date: [[ ]]/[Not Applicable]
  - (j) Subsequent Reset Date(s): [[ ] [and [ ]]/[Not Applicable]
  - (k) Reset Determination Date(s): [ ]  
*(specify in relation to each Reset Date)*
  - (l) Relevant Time: [ ]
  - (m) Relevant Screen Page: [ ]
  - (n) Reset Reference Rate: [Mid-Swap Rate]/[Reference Bond]/[CMT Rate]

- (o) Reset Reference Rate Conversion: [Applicable/Not Applicable]
- (p) Original Reset Reference Rate Payment Basis: [Annual/Semi-annual/Quarterly/Monthly/Not Applicable]
- (q) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Reference Rate Replacement: [Applicable/Not Applicable]
  - Mid-Swap Floating Leg Maturity: [ ]
  - Initial Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]  
*(If not applicable, delete “Initial Mid-Swap Rate” immediately below)*
  - Initial Mid-Swap Rate: [ ] per cent.
  - Reset Period Maturity Initial Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]  
*(If not applicable, delete “Reset Period Maturity Initial Mid-Swap Rate” immediately below)*
  - Reset Period Maturity Initial Mid-Swap Rate: [ ] per cent.
  - Last Observable Mid-Swap Rate Final Fallback: [Applicable/Not Applicable]
- (r) First Reset Period Fallback Yield: [ ]/[Not Applicable]  
*(N.B. only applicable where the Reset Reference Rate is Reference Bond or CMT Rate)*
- (s) Fallback Relevant Time: [ ]/[Not Applicable]  
*(N.B. only applicable where the Reset Reference Rate is CMT Rate)*
- (t) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]
- (u) Determination Date(s): [[ ] in each year]/[Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring new issue date or maturity date in the case*



*of a long or short first or last coupon.)*

- (v) Any other terms relating to [ ]  
the method of calculating  
interest on Reset Notes, if  
different from those set out in  
the Conditions:

17. Zero Coupon Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of  
this paragraph)*

- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in [30/360]  
relation to Early Redemption [Actual/360]  
Amounts: [Actual/365]  
[specify other]

## PROVISIONS RELATING TO REDEMPTION

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

- (a) Optional Redemption [ ]  
Date(s):
- (b) Optional Redemption [[ ] per Calculation Amount/specify other/see Appendix]  
Amount:
- (c) If redeemable in part:
- (i) Minimum Redemption [ ]  
Amount:
- (ii) Maximum Redemption [ ]  
Amount:
- (d) Notice period (if other than [ ]  
as set out in the Conditions):

*(N.B. If setting notice periods which are different to those  
provided in the Conditions, the Issuer is advised to consider  
the practicalities of distribution of information through  
intermediaries, for example, clearing systems (which  
require a minimum of 5 clearing system business days'  
notice for a call) and custodians, as well as any other notice  
requirements which may apply, for example, as between the  
Issuer and the Principal Paying Agent)*

19. Final Redemption Amount: [[ ] per Calculation Amount/specify other/see Appendix]
20. Clean-up Redemption Option: [Applicable/Not Applicable]  
*(No Clean-up Redemption Option will be permitted prior to five years from the Issue Date with respect to Subordinated Notes)*  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Clean-up Percentage: [75 per cent. / [ ] per cent.]
- (b) Clean-up Redemption Amount: [ ] per Calculation Amount
- (c) Notice Period (if other than as set out in the Conditions): [ ]
- (d) Clean-up Redemption Date: [ ]  
*(in the case of Subordinated Notes, the first Clean-up Redemption Date shall be at least five years after the Issue Date)*
21. Early Redemption Amount payable on redemption for taxation reasons or upon the occurrence of a Capital Event or an MREL Disqualification Event (as applicable): [[ ] per Calculation Amount/specify other/see Appendix]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:
- (a) Form: [Bearer Notes]
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]]
- (N.B. The exchange of Temporary Bearer Global Note for Definitive Notes option is not permitted in relation to any issue of Notes where the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.”)*
- [Permanent Bearer Global Note exchangeable for Definitive Notes only upon an Exchange Event]]

[Registered Notes:

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

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

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

24. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

25. Other terms or special conditions: [ ]

Signed on behalf of Kviká banki hf. :

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

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

### 2. OPERATIONAL INFORMATION

- (i) ISIN: [    ]
- (ii) Common Code: [    ]
- (iii) CFI: [[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
- (iv) FISN: [[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable]
- (If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) and/or Transfer Agent(s) (if any): [    ]
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, that is, held under the NSS,] *[include this text for Registered Notes which are to be held under the NSS]* and does not necessarily mean that the Notes will be recognised as eligible

collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.]

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

[Not Applicable]

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

(i) Reasons for the offer:

[General corporate purposes]

[The Notes constitute Green Financing Instruments and an amount equal to the net proceeds of the issue of the Notes will be used to finance or refinance, in whole or in part, the Issuer's investments in Eligible Assets , as further described in the Issuer's Green Financing Framework dated October 2021 (as amended or supplemented from time to time) available on the Issuer's website] *[For Green Financing Instruments only, include weblink for relevant framework and any other relevant information]*

*[Specify other]*

### 4. DISTRIBUTION

(i) Method of distribution:

[Syndicated/Non-syndicated]

(ii) If syndicated, names of Managers:

[Not Applicable/*give names*]

(iii) Date of Subscription Agreement:

[ ]

(iv) Stabilising Manager(s) (if any):

[Not Applicable/*give name(s)*]

- (v) If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- (vi) TEFRA applicability: [TEFRA D/TEFRA C/TEFRA not applicable]
- (vii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (viii) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

This Note is one of a Series (as defined below) of Notes issued by Kvikabank hf. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 21 December 2021 and made between the Issuer, Citibank, N.A., London Branch in its capacities as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent, and, together with any substitute or additional paying agents appointed in accordance with the Agency Agreement, the **Paying Agents**) and Citibank Europe plc in its capacities as registrar (the **Registrar**, which expression shall include any successor registrar) and as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents).

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

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes, (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated 21 December 2021 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

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

References herein to **Exempt Notes** are to Notes for which no prospectus is required to be published under Regulation (EU) 2017/1129 (for the purposes of these Conditions, the **Prospectus Regulation**) or the Financial Services and Markets Act 2000, as the case may be.

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

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

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

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

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

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



Notes) Pricing Supplement, the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will prevail.

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

### **1.1 Form and denomination**

The Notes are either (i) in bearer form or (ii) in registered form as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and, in the case of definitive Notes, serially numbered, in each case in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes. Registered Notes may not be exchanged for Bearer Notes.

The Notes may be Fixed Rate Notes, Floating Rate Notes, Reset Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

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

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

### **1.2 Title**

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

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

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be

deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement or as may otherwise be approved by the Issuer and the Principal Paying Agent.

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

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

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

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

Subject as provided in Conditions 2.3 and 2.5 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

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

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

## **2.4 Costs of registration**

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

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

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

# **3. STATUS OF THE NOTES**

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

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

- (a) The Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves.
- (b) In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) shall rank:
  - (i) (subject to such mandatory exceptions as are from time to time applicable under Icelandic law) at least *pari passu* with all other unsecured obligations of the Issuer from time to time outstanding; and
  - (ii) senior to any Senior Non-Preferred Liabilities of the Issuer.

## **3.2 Status of the Senior Non-Preferred Notes**

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

- (a) The Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves.
- (b) In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) shall rank:
  - (i) *pari passu* without preference among themselves;
  - (ii) *pari passu* with all other Senior Non-Preferred Liabilities of the Issuer;
  - (iii) senior to holders of all classes of share capital of the Issuer and any subordinated obligations or other securities of the Issuer which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Issuer (including, without limitation, any Subordinated Notes); and

- (iv) junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer that are not creditors in respect of Senior Non-Preferred Liabilities of the Issuer.

### 3.3 Status of the Subordinated Notes

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

- (a) The Notes constitute subordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves. The Notes are subordinated as described in Condition 3.3(b).
- (b) In the event of a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority, claims of the Noteholders against the Issuer in respect of, or arising under, the Notes (including any amounts attributable to the Notes and any damages awarded for breach of any obligations thereunder) shall rank:
  - (i) *pari passu* without preference among themselves;
  - (ii) *pari passu* with present or future claims in respect of Parity Securities;
  - (iii) in priority to any present or future claims in respect of Junior Securities; and
  - (iv) junior to any present or future claims in respect of Senior Creditors.

### 3.4 Set-Off

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

### 3.5 Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

depositors and all other unsubordinated creditors of the Issuer, but which rank, or are expressed to rank, senior to Parity Securities and Junior Securities;

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

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

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

## **4. INTEREST**

### **4.1 Interest on Fixed Rate Notes**

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

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

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

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

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount

by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest, in accordance with this Condition 4.1:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

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

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

## **4.2 Interest on Floating Rate Notes**

### **(a) Interest Payment Dates**

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

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

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (b) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and



- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

(b) **Rate of Interest**

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

(i) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction for that swap transaction under the terms of an agreement incorporating (i) if “2006 ISDA Definitions” is specified in the applicable Final Terms, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if “2021 ISDA Definitions” is specified in the applicable Final Terms, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as published by ISDA as at the Issue Date of the first Tranche of the Notes (together, the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

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

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

(ii) **Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of subclause (A) above, no offered quotation appears or, in the case of subclause (B) above, fewer than three offered quotations appear, in each case as at the Relevant Time, the Principal Paying Agent shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though

substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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

For the purposes of the Conditions:

**Reference Banks** means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market; and, in the case of a determination of a Reference Rate that is not EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the inter-bank market of the Relevant Financial Centre, in each case selected by the Issuer.

**Reference Rate** shall mean (i) the Eurozone interbank offered rate (**EURIBOR**), (ii) the Norwegian interbank offered rate (**NIBOR**), (iii) the Stockholm interbank offered rate (**STIBOR**), or (iv) the Reykjavík interbank offered rate (**REIBOR**), in each case for the relevant period, as specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, subject as provided in Condition 4.3.

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

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

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

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

If the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

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

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

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

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

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

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

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

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

where:

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

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

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

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

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

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30.

(e) **Linear Interpolation**

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

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

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

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

### 4.3 **Reference Rate Replacement**

If:

- (a) the Notes are Reset Notes and Mid-Swap Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as the Reset Reference Rate; or
- (b) the Notes are Floating Rate Notes and Screen Rate Determination is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined,

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

If notwithstanding the provisions of Condition 4.2(b)(ii) or Condition 4.4(b), the Issuer determines that a Benchmark Event has occurred when any Rate of Interest (or any component thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser with a view to the Issuer determining:

- (A) a Successor Reference Rate; or
- (B) failing which, an Alternative Reference Rate,

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

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

- (A) such Successor Reference Rate or Alternative Reference Rate (as applicable) shall be the Original Reference Rate for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.3);

- (B) if the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner:

- (x) determines that an Adjustment Spread is required to be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.3); or

- (y) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, then the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) will apply without an

Adjustment Spread for all future Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.3); and

- (C) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner may in its discretion specify:
  - (x) other changes to these Conditions which it determines are reasonably necessary in order to follow market practice in relation to the relevant Successor Reference Rate or Alternative Reference Rate and/or any Adjustment Spread (as applicable), including, but not limited to, (1) the Additional Business Centre(s), Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Reset Reference Rate, Reference Banks, Reset Reference Banks, Relevant Financial Centre, Relevant Screen Page, Relevant Time and/or Reset Determination Date (as applicable) applicable to the Notes and (2) the method for determining the fallback to the Rate of Interest in relation to the Notes if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and
  - (y) any other changes which the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines are reasonably necessary to ensure the proper operation and comparability to the Original Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable),

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

- (D) promptly following the determination of (x) any Successor Reference Rate or Alternative Reference Rate (as applicable) and (y) if applicable, any Adjustment Spread, the Issuer shall give notice thereof and of any changes (and the effective date thereof) pursuant to Condition 4.3(ii)(C) to the Principal Paying Agent and each stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14.

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

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

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



In the case of Subordinated Notes only, notwithstanding any other provision of this Condition 4.3, no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 4.3 if, and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Issuer.

An Independent Adviser appointed pursuant to this Condition 4.3 shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4.3.

For the purposes of the Conditions:

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

- (i) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Original Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Reference Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by such Successor Reference Rate or the Alternative Reference Rate (as applicable); or
- (iii) if neither (i) nor (ii) above applies, the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner determines to be appropriate;

**Alternative Reference Rate** means an alternative benchmark or screen rate that the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the component part thereof) in respect of debt securities denominated in the Specified Currency and of a comparable duration:

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

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

**Benchmark Event** means:

- (i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist or be administered; or
- (ii) the later of (A) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (B) the date falling six months prior to the specified date referred to in (ii)(A); or
- (iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued; or
- (iv) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in (iv) (A); or
- (v) the later of (A) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (B) the date falling six months prior to the specified date referred to in (v)(A); or
- (vi) it has or will prior to the next Interest Determination Date or Reset Determination Date, as applicable, become unlawful for the Principal Paying Agent or any of the parties to the Agency Agreement to calculate any payments due to be made to the Noteholders using the Original Reference Rate; or
- (vii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative or may no longer be used;

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

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

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

**MREL Eligible Liabilities** means “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 Issuer or the Group, as the case may be, under Applicable MREL Regulations;

**Original Reference Rate** means:

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

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

- (i) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which such Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

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

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

##### **(a) Rate of Interest**

Each Reset Note bears interest:

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

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

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

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

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

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

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

(b) **Fallbacks**

If the Reset Reference Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as Mid-Swap Rate and if on any Reset Determination Date, the Relevant Screen Page is not available or the Reset Reference Rate does not appear on the Relevant Screen Page as at the Relevant Time on such Reset Determination Date, the Rate of Interest applicable to the Notes in respect of each Interest Period falling in the relevant Reset Period will, subject as provided in Condition 4.3, as applicable, be determined by the Principal Paying Agent on the following basis:

- (a) the Principal Paying Agent shall request each of the Reset Reference Banks to provide the Principal Paying Agent with its Mid-Market Swap Rate Quotation as at approximately the Relevant Time on the Reset Determination Date in question;
- (b) if at least three of the Reset Reference Banks provide the Principal Paying Agent with the Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and (B) the Relevant Reset Margin, all as determined by the Principal Paying Agent;
- (c) if only two relevant quotations are provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded as aforesaid) of the relevant quotations provided and (B) the Relevant Reset Margin, all as determined by the Principal Paying Agent;
- (d) if only one relevant quotation is provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum

of (A) the relevant quotation provided and (B) the Relevant Reset Margin, all as determined by the Principal Paying Agent;

- (e) if none of the Reset Reference Banks provides the Principal Paying Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 4.4, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) will be equal to the sum of (A) the relevant Reset Reference Rate determined on the last preceding Reset Determination Date and (B) the Relevant Reset Margin or, in the case of the first Reset Determination Date, the First Reset Rate of Interest will be equal to the sum of:
  - (i) if Initial Mid-Swap Rate Final Fallback is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable, (A) the Initial Mid-Swap Rate and (B) the Relevant Reset Margin;
  - (ii) if Reset Maturity Initial Mid-Swap Rate Final Fallback is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable, (A) the Reset Period Maturity Initial Mid-Swap Rate and (B) the Relevant Reset Margin; or
  - (iii) if Last Observable Mid-Swap Rate Final Fallback is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement as being applicable, (A) the last observable rate for swaps in the Specified Currency with a term equal to the relevant Reset Period which appears on the Relevant Screen Page and (B) the Relevant Reset Margin,

all as determined by the Principal Paying Agent.

(c) **Reset Reference Rate Conversion**

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

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

In respect of a Reset Period, the Principal Paying Agent will cause the relevant Rate of Interest in respect of such Reset Period and each Reset Notes Interest Amount for each Interest Period falling in such Reset Period to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 4.2(f)) thereafter. Each Reset Notes Interest Amount so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 13.

For the purposes of the Conditions:

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

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

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

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

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

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

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

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

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

**Mid-Market Swap Rate** means, subject as provided in Condition 4.3, if applicable, for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Original Reset Reference Rate Payment Basis (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Issuer) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Floating Leg Maturity (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Issuer);

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

**Mid-Swap Floating Leg Benchmark Rate** means EURIBOR (if the Specified Currency is euro); NIBOR (if the Specified Currency is Norwegian Kroner); STIBOR (if the Specified Currency is Swedish Krona); REIBOR (if the Specified Currency is króna) or (in the case of any other Specified Currency) the benchmark rate most closely connected with such Specified Currency and selected by the Issuer, subject as provided in Condition 4.4, if applicable;

**Original Reset Reference Rate Payment Basis** has the meaning given in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement. In the case of Notes other than Exempt Notes, the Original Reset Reference Rate Payment Basis shall be annual, semi-annual, quarterly or monthly;

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

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

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

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

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

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

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

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

**Reset Reference Bank Rate** means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the rate (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) determined on the basis of the Reference Bond Quotations provided by the Reset Reference Banks to the Principal Paying Agent at approximately:

- (a) if Reference Bond is specified as the Reset Reference Rate in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Relevant Time on such Reset Determination Date; or

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

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

**Reset Reference Banks** means:

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

in each case, as selected by the Issuer.

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

- (a) if Mid-Swap Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement:
    - (i) if Single Mid-Swap Rate is further specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the rate for swaps in the Specified Currency:
      - (A) with a term equal to the relevant Reset Period; and
      - (B) commencing on the relevant Reset Date,
- which appears on the Relevant Screen Page; or



(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

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

(b) if Reference Bond is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement:

(i) if a Relevant Screen Page is specified in the applicable Final Terms or Pricing Supplement, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered yields of the relevant Reference Bond, as determined by the Principal Paying Agent by reference to the Relevant Screen Page at the Relevant Time on such Reset Determination Date; or

(ii) if (i) a Relevant Screen Page is so specified and such rate does not appear on the Relevant Screen Page at such Relevant Time on such Reset Determination Date or (ii) a Relevant Screen Page is not so specified, the Reset Reference Bank Rate on such Reset Determination Date; or

(c) if CMT Rate is specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and if the Specified Currency is U.S. dollars, the rate which is equal to:

(i) the Original Reset Reference Rate Payment Basis yield for United States Treasury Securities at “constant maturity” for a designated maturity which is equal or comparable to the duration of the relevant Reset Period, as published in H.15 under the caption “Treasury constant maturities (nominal)”, as that yield is displayed on such Reset Determination Date, on the Relevant Screen Page; or

(ii) if the yield referred to in paragraph (i) above is not published by the Relevant Time on the Relevant Screen Page on such Reset Determination Date, the Original Reset Reference Rate Payment Basis yield for the United States Treasury Securities at “constant maturity” having a period to maturity which is equal or comparable to the duration of the relevant Reset Period as published in H.15 under the caption “Treasury constant maturities (nominal)” on such Reset Determination Date; or

(iii) if neither the yield referred to in paragraph (i) above nor the yield referred to in paragraph (ii) above is published on such Reset Determination Date, the Reset Reference Bank Rate on such Reset Determination Date,

in each case, all as determined by the Principal Paying Agent;

**Reset United States Treasury Security** means, in relation to a Reset Determination Date, the United States Treasury Security:

- (a) with an original term to maturity upon issue of approximately the duration of the relevant Reset Period and a remaining term to maturity of not less than one year less than the duration of the relevant Reset Period; and
- (b) which is in a principal amount equal to at least U.S.\$1,000,000,000;

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

**Subsequent Reset Period** means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date or the Maturity Date, as the case may be;

**Subsequent Reset Rate of Interest** means, in respect of any Subsequent Reset Period and, if applicable, subject to Condition 4.4(b) and Condition 4.4(c), the rate of interest determined by the Principal Paying Agent on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the relevant Subsequent Reset Margin;

**United States Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which, due to a recommendation of the Securities Industry and Financial Markets Association (or its successor), the fixed income departments of its members are closed for the entire day for purposes of trading in U.S. government securities; and

**United States Treasury Securities** means securities that are direct obligations of the United States Treasury, issued other than on a discount basis.

#### **4.5 Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 4.2 and 4.4 by an Independent Adviser, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents (each if applicable) and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or such Independent Adviser (each if applicable) in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

#### **4.6 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## **5. PAYMENTS**

### **5.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

### **5.2 Presentation of definitive Bearer Notes and Coupons**

Payments of principal in respect of definitive Bearer Notes will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Reset Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto

(whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

### 5.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### 5.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than €100,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for

this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

## **5.5 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

## 5.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement; or
  - (iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, a day on which the TARGET2 System is open; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

## 5.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) the Final Redemption Amount of the Notes;
- (b) the Early Redemption Amount of the Notes;
- (c) the Optional Redemption Amount(s) (if any) of the Notes;
- (d) the Clean-up Redemption Amount (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7(b)); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

## **6. REDEMPTION AND PURCHASE**

### **6.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount in the relevant Specified Currency on the Maturity Date.

### **6.2 Redemption for tax reasons**

Subject to the provisions of Condition 6.13, the Notes may, save as provided below, be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 15 nor more than 60 days' notice (which notice shall be irrevocable) to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders, if as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the last Tranche of the Notes:

- (a) on the occasion of the next payment due under the Notes, the Issuer:
  - (i) has or will become obliged to pay additional amounts as provided or referred to in Condition 7; or
  - (ii) in the case of Subordinated Notes only, would not be entitled to claim a full tax deduction in a Tax Jurisdiction in respect of such payment; and
- (b) (in the case of paragraph (a)(i) above) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

(each a **Tax Event**) provided that (in the case of paragraph (a)(i) above) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that a Tax Event has occurred.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

The Issuer undertakes that any redemption of the Notes pursuant to this Condition 6.2 will only be made in compliance with all the requirements set out herein including, but not limited to, all payments being made in the Specified Currency.

### **6.3 Redemption upon a Capital Event – Subordinated Notes**

This Condition 6.3 applies only to Subordinated Notes in relation to which this Condition 6.3 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) the

Pricing Supplement, and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

Subject to the provisions of Condition 6.13, the Notes may, save as provided below, be redeemed at the option of the Issuer, in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 15 nor more than 60 days' notice (which notice shall be irrevocable) to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders, if a Capital Event occurs.

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

Notes redeemed pursuant to this Condition 6.3 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

**Applicable Banking Regulations** means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Iceland and applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, CRD and those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Regulator (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the Group);

**Capital Event** means the determination by the Issuer, after consultation with the Relevant Regulator, that, as a result of a change (or any pending change which the Relevant Regulator considers sufficiently certain) in Icelandic law or Applicable Banking Regulations or any change (or any pending change which the Relevant Regulator considers sufficiently certain) in the official application or interpretation thereof becoming effective on or after the Issue Date of the last Tranche of the Notes, the Notes are or, as the case may be, will be excluded in whole or in part from the Tier 2 Capital of the Issuer and/or the Group, provided that: (i) such exclusion is not as a result of any applicable limitation on such capital and (ii) the Issuer satisfies the Relevant Regulator that such exclusion was not reasonably foreseeable at the time of the issuance of the Notes;

**Group** means the Issuer and its Subsidiaries taken as a whole; and

**Subsidiaries** means any entity whose affairs are required by law or in accordance with generally accepted accounting principles applicable in Iceland to be consolidated in the Issuer's consolidated accounts.

#### **6.4 Redemption upon a MREL Disqualification Event – Senior Preferred Notes and Senior Non-Preferred Notes**

This Condition 6.4 applies only to Senior Preferred Notes and Senior Non-Preferred Notes in relation to which this Condition 6.4 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) the Pricing Supplement, and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

Subject to the provisions of Condition 6.13, the Notes may, save as provided below, be redeemed at the option of the Issuer, in whole, but not in part, at any time (if this Note is not a Floating Rate



Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 15 nor more than 60 days' notice (which notice shall be irrevocable) to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders, if a MREL Disqualification Event occurs.

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

Notes redeemed pursuant to this Condition 6.4 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

## **6.5 Redemption at the option of the Issuer (Issuer Call)**

Subject to the provisions of Condition 6.13, if Issuer Call is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Issuer may, save as provided below, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to (i) the Principal Paying Agent and (ii) in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected:

- (i) individually by lot, in the case of Redeemed Notes represented by definitive Notes; or

- (ii) in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note,

not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**).

In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.5 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

The Issuer undertakes that any redemption of the Notes pursuant to this Condition 6.5 will only be made in compliance with all the requirements set out herein including, but not limited to, all payments being made in the Specified Currency.

#### **6.6 Clean-up Redemption at the option of the Issuer (Clean-up Redemption Option)**

Subject to the provisions of Condition 6.13, if Clean-up Redemption Option is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, in the event that at least 75 per cent. or any higher percentage specified in the applicable Final Terms or (in the case of Exempt Notes) the Pricing Supplement of the initial aggregate principal amount of a particular Series of Notes (which for the avoidance of doubt include any additional notes issued subsequently pursuant to Condition 15 and forming a single series with the first Tranche of a particular Series of Notes) has been redeemed or purchased by, or on behalf of, the Issuer or any of its subsidiaries, and in each case, cancelled (the **Clean-up Percentage**), the Issuer may, at its option, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to (i) the Principal Paying Agent and (ii) in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem in whole, but not in part, the Notes then outstanding on the Clean-up Redemption Date and at the Clean-up Redemption Amount specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Clean-up Redemption Date. Notwithstanding the foregoing, in the case of Subordinated Notes, no Clean-up Redemption Option shall be permitted prior to five years from their Issue Date.

#### **6.7 Early Redemption Amounts**

For the purpose of Condition 6.2, Condition 6.3 and Condition 6.4, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note) the amount specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement or, if no such amount or manner is so specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, at its nominal amount; or

- (b) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable and the denominator will be 365).

## **6.8 Purchases**

Subject to the provisions of Condition 6.13, the Issuer or any Subsidiary of the Issuer may purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

## **6.9 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.8 above (together with all unmatured Coupons and Talons cancelled therewith), shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

## **6.10 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4 or 6.5 above is improperly withheld or refused, the amount due and payable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 13.

#### **6.11 Substitution or Variation – Subordinated Notes**

This Condition 6.11 applies only to Subordinated Notes and “Notes” and “Noteholders” in this Condition shall be construed accordingly.

If Condition 6.11 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, and at any time a Capital Event or a Tax Event occurs, or to ensure the effectiveness or enforceability of Condition 17, subject to the provisions of Condition 6.13, the Issuer may, having given not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders, either substitute all, but not some only, of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 17 from English law to Icelandic law) so that they remain, or, as appropriate, become, Subordinated Qualifying Securities, provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem the substituted or varied securities that are inconsistent with the redemption provisions of the Notes.

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

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

**Subordinated Qualifying Securities** means securities issued directly or indirectly by the Issuer that:

- (a) other than in the case of a change to governing law of Condition 17 to Icelandic law in order to ensure the effectiveness and enforceability of Condition 17, have terms not materially less favourable to the Noteholders as a class than the terms of the Notes (as reasonably determined by the Issuer) and, subject thereto, they shall (i) have a ranking at least equal to that of the Notes prior to the relevant substitution or variation, as the case may be; (ii) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes prior to the relevant substitution or variation, as the case may be; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation, as the case may be; (iv) 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) where Notes which have been substituted or varied had a published solicited rating from a Rating Agency immediately prior to such substitution or variation, each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published solicited rating to the relevant Qualifying Securities; and
- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to such substitution or variation, as selected by the Issuer; and

**Rating Agency** means S&P Global Ratings Europe Limited or its successor.

## 6.12 Substitution or Variation – Senior Preferred Notes and Senior Non-Preferred Notes

This Condition 6.12 applies only to Senior Preferred Notes and Senior Non-Preferred Notes and “Notes” and “Noteholders” in this Condition shall be construed accordingly.

If Condition 6.12 is specified as being applicable in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, and at any time a MREL Disqualification Event or a Tax Event occurs, or to ensure the effectiveness or enforceability of Condition 17, subject to the provisions of Condition 6.13, the Issuer may, having given not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) to the Principal Paying Agent and, in accordance with Condition 13, the Noteholders, either substitute all, but not some only, of the Notes for, or vary the terms of the Notes (including changing the governing law of Condition 17 from English law to Icelandic law) so that they remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities or, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined below), as the case may be.

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

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

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

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

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

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

### **6.13 Consent of the Relevant Regulator**

In the case of Subordinated Notes, no early redemption in any circumstances, purchase under Condition 6.8 or substitution or variation under Condition 6.11, shall take place without the prior written consent of the Relevant Regulator (if and to the extent then required by the Relevant Regulator). In addition, in respect of any redemption of Subordinated Notes pursuant to Condition 6.2, 6.3 or 6.4 only, and except to the extent the Relevant Regulator no longer requires, the Issuer may only redeem such Notes before five years after the Issue Date of the last Tranche of the Notes if the Issuer demonstrates to the satisfaction of the Relevant Regulator that the circumstance that entitles it to exercise such right of redemption was not reasonably foreseeable as at the Issue Date of the last Tranche of the Notes. For the avoidance of doubt, redemption of Subordinated Notes under Condition 6.1 shall not require the consent of the Relevant Regulator.

In the case of Senior Preferred and Senior Non-Preferred Notes, no early redemption in any circumstances, purchase under Condition 6.8 or substitution or variation under Condition 6.12, shall take place without the prior written consent of the Relevant Regulator (if and to the extent then required by the Applicable Banking Regulations). For the avoidance of doubt, redemption of Senior Preferred and Senior Non-Preferred Notes under Condition 6.1 shall not require the consent of the Relevant Regulator.

## **7. TAXATION**

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, in the case of a payment of interest only, the Issuer will pay such additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts interest which would otherwise have been receivable in respect of the

Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in Iceland; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.6); or
- (d) on account of any tax, assessment or other governmental charge that is imposed or withheld by reason of the application of Section 1471 through 1474 of the Code (or any successor provisions), any regulation, pronouncement or agreement thereunder, official interpretations thereof, or any intergovernmental agreement or any law implementing an intergovernmental approach thereto, whether currently in effect or as published and amended from time to time.

As used herein:

- (i) **Tax Jurisdiction** means Iceland or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

Pursuant to point 8 of the first Paragraph of Article 3 of Icelandic Act No 90/2003 on Income Tax (the **Icelandic Income Tax Act**), non-Icelandic residents are not subject to tax on any interest income derived by them from the Notes and Coupons provided the Notes are registered with a securities depository within the Organisation for Economic Co-operation and Development, the European Economic Area or a member of the European Free Trade Association or the Faroe Islands (any such securities depository, an **Eligible Securities Depository**) and the Issuer registers the Notes with the Directorate of Internal Revenue in Iceland. The Issuer undertakes to ensure that any Notes are registered and accepted for clearance with an Eligible Securities Depository (which would include Euroclear and Clearstream, Luxembourg) and to register any Notes with the Directorate of Internal Revenue in Iceland on or prior to the Issue Date of the Notes and to obtain a certificate of exemption in respect thereof. In the event that such exemption to the Icelandic Income Tax Act is forfeited, suspended or revoked as a result of the Issuer failing to register the Notes as aforesaid or the Notes being in definitive form and held outside an Eligible Securities Depository or the Notes otherwise ceasing to be registered with an Eligible Securities Depository or for any other reason and any payment in respect of the Notes is accordingly subject to withholding or deduction pursuant to the Icelandic Income Tax Act, the Issuer will pay such Additional Amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction (and the exceptions set out in paragraphs (a) to (d) above shall not be applicable).

## 8. PRESCRIPTION

The Notes (in whatever form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

## 9. ENFORCEMENT EVENTS

The following events or circumstances (each an **Enforcement Event**) shall constitute enforcement events in relation to the Notes:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of three days in the case of principal and seven days in the case of interest, any Noteholder may, at its own discretion and without further notice, institute proceedings in Iceland in order to recover the amounts due from the Issuer to such Noteholder, provided that a Noteholder may not at any time file for liquidation or bankruptcy of the Issuer. Any Noteholder may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Notes, provided that the Issuer shall not by virtue of the institution of any proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it; and
- (b) if an order is made or an effective resolution is passed for the liquidation or bankruptcy of the Issuer, then the Notes shall become due and payable at their outstanding principal amount together with interest (if any) accrued to such date.

## 10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 11. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents or Transfer Agents is appointed in connection with any Series, the names of such agents will be specified in Part B of the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and



a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **12. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

## **13. NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the

holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **14. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in Schedule 5, Part 1 of the Agency Agreement) of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

Any modification to the Conditions is subject to the prior permission of the Relevant Regulator (if such permission is then required by the Applicable Banking Regulations and/or the Applicable MREL Regulations, as applicable).

**15. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

**16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**17. ACKNOWLEDGEMENT OF STATUTORY LOSS ABSORPTION POWERS**

Notwithstanding and to the exclusion of any other term of the Notes, or any other agreements, arrangements or understanding between any of the parties thereto or between the Issuer and any Noteholder (which, for the purposes of this Condition 17, includes each holder of a beneficial interest in the Notes), each Noteholder by its purchase of the Notes will be deemed to acknowledge, accept, and agree, that any liability arising under the Notes may be subject to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (a) the effect of the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
  - (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;
  - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;
  - (iii) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
  - (iv) the amendment or alteration of the maturity date of the Notes or the amendment of the amount of interest payable on the Notes, or the date on which interest become payable, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Notes, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority.

In the Conditions the following expressions shall have the following meaning:

**Relevant Amounts** means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts due on the Notes pursuant to Condition 7. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any applicable Statutory Loss Absorption Powers by the Relevant Resolution Authority;

**Relevant Resolution Authority** means the resolution authority with the ability to exercise any Statutory Loss Absorption Powers in relation to the Issuer; and

**Statutory Loss Absorption Powers** mean any write-down, conversion, transfer, modification, suspension or similar or related powers existing from time to time under, and exercised in compliance with (i) any statutory regime implemented or directly effective in Iceland which provides any Relevant Resolution Authority with the powers to implement loss absorption measures in respect of capital instruments (such as the Notes), including, but not limited to any regime which is implemented pursuant to, or which otherwise contains provisions analogous to, the BRRD and (ii) the instruments, rules and standards created under any such regime, pursuant to which any obligation of the Issuer can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

## **18. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **18.1 Governing law**

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with Agency Agreement, the Deed of Covenant, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law, except for Condition 3 which shall be governed by, and construed in accordance with, Icelandic law.

### **18.2 Submission to jurisdiction**

- (a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 18.2, each of the Issuer and any Noteholders or Couponholders in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 18.2(c) is for the benefit of the Noteholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

### **18.3 Appointment of Process Agent**

The Issuer appoints Kvika Securities Ltd. as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and undertakes that, in the event of Kvika Securities Ltd. ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure

by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

#### **18.4 Waiver of immunity**

The Issuer hereby irrevocably and unconditionally waives with respect to the Notes and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute.

#### **18.5 Other documents**

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## USE OF PROCEEDS

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

- (a) used for the Issuer's general corporate purposes; or
- (b) in respect of Green Financing Instruments, used to finance or refinance, in whole or in part, the Issuer's investments in Eligible Assets, as further described in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement and the Green Financing Framework dated October 2021 (as amended or supplemented from time to time) (<https://www.kvika.is/asset/4429/green-financing-1.7.pdf>); or
- (c) used to finance any other particular identified use of proceeds as stated in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement.

### Green Financing Instruments

In respect of (b) above, the Green Financing Framework describes the Eligible Assets to which an amount equal to the net proceeds of an issuance of Green Financing Instruments may be allocated. The Green Financing Framework is based on the International Capital Market Association (ICMA) Green Bond Principles from 2021.

Unless otherwise specified in the applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement, the Green Financing Framework provides that the Issuer intends to allocate an amount equal to the net proceeds of the Green Financing Instruments to finance or refinance, in whole or in part, sustainability loans, equity, and/or projects, investments and expenditures located predominantly in Iceland, as determined by the Issuer in accordance with the project categories identified in the Green Financing Framework, all referred to as 'Eligible Assets'.

As set out in the Green Financing Framework, the following project categories are eligible: (i) clean transportation; (ii) green buildings; and (iii) renewable energy.

### *Governance: project evaluation and selection*

Loan and/or investment activity may also be subject to the Issuer's detailed credit and internal compliance processes. The Issuer's credit committee is responsible for final loan and investment approval, as well as confirming that a loan and/or an investment proposal complies with the Issuer's policy on responsible lending and investments. The pre-selection of Eligible Assets is validated quarterly by the Issuer's sustainability committee. The Issuer's credit committee may however seek the validation of the sustainability committee of Eligible Assets that are subject to the Issuer's detailed credit and internal compliance processes more frequently. The sustainability committee is responsible for screening the Issuer's Eligible Asset Pool, based on the criteria set forth under each project category, in the Green Financing Framework. The Issuer may obtain an opinion from external sustainability advisors, as needed with the screening.

### *Management of proceeds and reporting*

The Issuer's portfolio of Eligible Assets will be documented by its risk management in the Issuer's register, subject to a quarterly internal review by the Issuer's sustainability committee, to match Eligible Assets with the Issuer's outstanding Green Financing Instruments. In the case of divestment or if a project no longer meets the Eligible Asset Criteria, the Issuer will reallocate the funds to other existing Eligible Assets as soon

as practically possible. Any portion of the net proceeds of Green Financing Instruments that have not been allocated to Eligible Assets will be held in accordance with the Issuer's liquidity management policy, in a portfolio consisting of cash and/or cash equivalents, and/or other liquid marketable instruments.

The Issuer aims to align the timing of the reporting with other annual sustainability reporting of the Issuer and will publish the report on its website.

None of the Dealers, the Arranger, any of its affiliates or any other person mentioned in this Base Prospectus makes any representation as to the suitability of such Green Financing Instruments to fulfil environmental and sustainability criteria required by any prospective investors. None of the Dealers, the Arranger or any of its affiliates shall be responsible for (i) any assessment of the Eligible Assets, (ii) any verification of whether the Eligible Assets falls within an investor's requirements or expectations of a "green" or "sustainable" or equivalently-labelled project or (iii) the ongoing monitoring of the use of proceeds in respect of any Green Financing Instruments.

### ***External Reviews***

The Issuer also applies the recommendation to use the services of an independent external second opinion provider (the **Second Party Opinion**). A Second Party Opinion has been obtained on the Green Financing Framework from the Second Party Opinion provider Sustainalytics, assessing the sustainability of the Green Financing Framework and its alignment with the ICMA Green Bond Principles from 2021. It is available on the Issuer's website ([https://www.kvika.is/asset/4428/kvika-bank-green-financing-framework-second-party-opinion\\_october.pdf](https://www.kvika.is/asset/4428/kvika-bank-green-financing-framework-second-party-opinion_october.pdf)). Any amendment to such Second Party Opinion, or any new Second Party Opinion, to be provided following an amendment to the Green Financing Framework, the publication of a new Green Financing Framework or in application of any new legislation or regulation, will be made available on the Issuer's website.

An independent assurance provider will provide on an annual basis limited assurance that an amount equal to the net proceeds has been allocated to sustainable loans which will be published on the Issuer's website.

Any information contained in or accessible through any website, including <https://www.kvika.is/en/investor-relations/green-financing-framework> and [https://www.kvika.is/asset/4428/kvika-bank-green-financing-framework-second-party-opinion\\_october.pdf](https://www.kvika.is/asset/4428/kvika-bank-green-financing-framework-second-party-opinion_october.pdf), does not form a part of the Base Prospectus, unless specifically stated in the Base Prospectus, in any supplement hereto or in any document incorporated or deemed to be incorporated by reference in this Base Prospectus that all or any portion of such information is incorporated by reference in the Base Prospectus.

## ICELAND AND FINANCIAL MARKETS

### Iceland

Iceland is an island, located in the North Atlantic next to Norway, Scotland and Greenland. It is the second largest island in Europe and the third largest in the Atlantic Ocean, with a land area of approximately 103,000 square kilometres, and is the most sparsely populated country in Europe. Iceland's capital and largest city is Reykjavík which, along with the surrounding municipalities in the southwest of the country, is home to nearly two-thirds of Iceland's 368,792<sup>16</sup> person population. The official language of Iceland is Icelandic.

Iceland is a constitutional republic with a multi-party parliamentary system of government. Legislative power is vested in the parliament and executive power is vested in a cabinet headed by a prime minister. The president is the head of state and is elected for a term of four years by a direct vote of the electorate. Over the past thirty years, the participation of women in politics has increased significantly, and their share of seats in Parliament has increased from 15 per cent. to roughly 47 per cent. in the most recent parliamentary elections. Iceland is a member of the United Nations, the North Atlantic Treaty Organization, the International Monetary Fund (IMF), the World Bank and the Organisation for Economic Co-operation and Development (OECD). It is also a party to a number of other multinational organisations, including the Nordic Council and the Council of Europe. Iceland joined the European Free Trade Association (EFTA) in 1970 and is a member of the EEA, which is a 26-nation free-trade zone of the EU and the EFTA countries. Iceland is also a contracting party to the General Agreement on Tariffs and Trade and ratified the agreement establishing the World Trade Organisation (WTO) in December 1994.

Iceland has a market economy with relatively low taxes, compared to other OECD countries, as well as the highest trade union membership in the world. It maintains a Nordic social welfare system that guarantees its citizens universal health, education, and a high degree of social security. The standard of education is high, and public education is compulsory between the ages of 6 and 16. Good command of English and the Scandinavian languages is widespread. Education is offered free of charge or for a nominal fee at three levels. Iceland ranks first on the Global Peace Index and runs almost completely on renewable energy.

### The Economy

The Icelandic economy is an open and developed economy, often grouped with neighbouring Scandinavia due to its free market economy combined with a welfare state. In the first half of the twentieth century, Iceland was one of the least affluent countries in Western Europe but has seen tremendous growth over the decades and has consistently ranked among nations with the highest standard of living in the world. This success can be traced to attributes such as a strong institutional framework, skilled workforce, high degree of economic freedom and a sound democracy.

The Icelandic economy is the smallest within the OECD, mainly reflecting the country's small population. Small, open economies tend to be more volatile than larger economies, due to a lack of diversification, and historically this has been the case for Iceland, which has experienced more pronounced business cycles than many other developed economies. The years surrounding the 2008 financial crisis were no exception. Economic growth was unparalleled among high income countries in the four years leading up to the crisis, at 6.5 per cent. per annum. Conversely, the Icelandic economy suffered a contraction of over 10 per cent. in the two years following the onset of the financial crisis.

Iceland differs in its composition from the Euro area, its largest trading partner. The Icelandic public sector is larger, highlighting high government spending in Iceland. There is also more construction and urbanisation, largely due to increasing population growth. However, industry and various services are relatively smaller in Iceland. Since 2010, the tourism sector has grown rapidly, from constituting 3.7 per cent. of GDP in 2011, to accounting for 8 per cent. of GDP in 2019. Since the beginning of the pandemic in

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<sup>16</sup> As of 1 January 2021.



2020, GDP growth has slowed down. Decreases in activities related to travel bookings, air transport, accommodation and restaurants resulted in a contraction in the tourism sector amounting to 3.9 per cent. of GDP in 2020. Nearly half of jobs in this sector were lost by the end of 2020.

The Icelandic labour market is highly unionised with collective bargaining agreements covering roughly 90 per cent. of the workforce, which is one of the highest ratios globally. That, along with strong economic growth, has led to a substantial increase in wages in recent years. The state of the labour market in Iceland has improved significantly since the pandemic struck. In August 2021, the unemployment rate decreased to the pre-pandemic level of 5.1 per cent.

Iceland had a GDP of ISK 2,941 billion in 2020, which saw a 6.5 per cent. contraction from 2019, after an average annual growth of 4.4 per cent. for the previous five years. GDP growth is forecast to measure 4 per cent. for 2021 and 5.1 per cent. for 2022, fuelled by COVID-19 recovery.

The CBI operates an inflation targeting policy with a 2.5 per cent. inflation target. During the COVID-19 crisis, the CBI's policy rate reached a historical low of 0.75 per cent. Inflation, however, has been a cause for worry and remains at 4.5 per cent., forcing the CBI to hike rates as late as 17 November 2021 to 2.0 per cent. Policy rates at the moment remain below Iceland's long term average but are expected to rise further if inflation remains persistent. The main drivers of rising inflation during 2021 are related to increasing domestic demand. According to the CBI's forecast in August this year, the inflation in 2021 is expected to be 4.2 per cent. and is expected to align with target inflation in the third quarter of 2022. Inflation is expected to measure 2.8 per cent. in 2022.

Residential housing prices have risen due to increased demand, particularly for single-family homes and they have risen as much as 18 per cent. year-on-year in the capital region. Those increases are expected to slow down over the next months, at least partly owing to implementation of macro prudential tools in the housing market. However, demand is expected to outperform supply in the coming years, as evidence shows that more construction is needed in the coming years, putting additional pressure on prices.

The key challenges for Iceland going forward will be increasing the diversification of its economy, specifically exports, and improve productivity in the domestic sector, which is low compared to neighbouring economies. The current government has placed an emphasis on infrastructure spending to meet demand by increasing tourism, strengthening the education system and innovating to make the economy better equipped to meet challenges in the coming years.

### **The Financial System**

The Icelandic financial system is governed by the CBI, an independent institution, operating under the Prime Minister and owned by the State. The main objective of the CBI is to promote price and financial stability, along with keeping financial activities secure. In 2001, the CBI converted from an exchange rate targeting policy to an inflation target policy, defined as a 12-month inflation rate, at 2.5 per cent., with a deviation band of 1.5 per cent.

The Prime Minister appoints the Governor and three Deputy Governors for a term of five years. Deputy Governors manage matters relating to monetary policy, financial stability and financial supervision. Decisions on the application of the CBI's monetary policy instruments are taken by the Monetary Policy Committee (**MPC**), which consists of five individuals, while the decisions on the application of the CBI's financial stability policy instruments are taken by the Financial Stability Committee (**FSN**), consisting of seven individuals. Following a new bill on the CBI, it merged with the Financial Supervisory Authority in January 2020 and therefore financial supervision is now part of the CBI's role. The Financial Supervision Committee makes decisions entrusted to the Financial Supervisory Authority by law or governmental directives.

At year-end 2020, the total assets in the Icelandic credit system, defined as the banking system, pension funds, insurance companies, mutual funds, investment and institutional funds, State loan funds, and other credit institutions, amounted to roughly 4.5 times Iceland's GDP. Pension funds have the largest share, at around 43 per cent. of the assets of the credit system.

The Icelandic pension fund system consists of pension funds for public employees, on the one hand, and a number of occupational pension funds, on the other. Membership of pension funds is mandatory, and all wage earners and employers pay contributions to the funds. By and large, it is a funded system, with about 90 per cent. of assets being held by coinsurance divisions, and about 10 per cent. (which consist of third-pillar pension savings) held in custody by pension funds. At the end of 2020, there were 24 pension funds operating in Iceland. Since the financial crisis in 2008, pension fund assets have increased significantly, owing to improved returns, robust employment growth, and rising wages. Relative to GDP, Iceland's pension funds are the second-largest in the OECD, second only to the Netherlands. The pension funds' largest asset classes are marketable bonds and bills, and stocks and unit share certificates. Iceland's pension funds also participate in lending activity within the financial system, granting mainly housing-related loans to fund members.

The banking system is highly concentrated and mainly consists of three universal banks: Arion banki hf., Íslandsbanki hf. and Landsbankinn hf., all of which are defined as domestic systemically important banks and account for 97 per cent. of banking system assets. The Issuer and a few smaller savings banks and financial institutions are also in the banking system. Until recently, Arion banki hf. and the Issuer were the only banks which were owned by private investors and publicly listed. In June this year, Íslandsbanki hf. joined them when the government sold 35 per cent. of its stake, which now amounts to 65 per cent., leaving Landsbankinn hf. as the only Icelandic bank which is not publicly listed.

The structure of the financial system has changed in recent years as the Icelandic banking sector has seen increasing competition from less regulated financial institutions, that is, the shadow banking system. This includes, and is not limited to, pension funds (not as defined by the CBI), management companies of Undertakings for the Collective Investment in Transferable Securities (UCITS) and other unregulated entities. For example, specialised fund vehicles are often able to offer better terms for loans and other unregulated entities are offering unsecured loans for the retail market in competition to overdraft facilities. Icelandic pension funds have expanded their share in the retail mortgage lending market, and with the recent increase in employer contributions, this trend is likely to continue.

The size of the financial system was 451 per cent. of GDP at the end of June 2021. Recent changes in the assets of the financial system are largely due to changes in GDP and movements in the exchange rate, highlighting modest growth. The banks' assets account for nearly a third (143 per cent. of GDP) while the pension funds assets accounted for 43 per cent. of total assets (194 per cent. of GDP). In 2019, the private pension assets accounted for 168 per cent. of GDP, one of the highest in the world. In 2020, the assets grew rapidly and the system is expected to continue growing in the next few decades since the population is relatively young and premiums are close to 10 per cent. of GDP. Credit system lending grew by 5.2 per cent. year on year in 2020, where the growth was driven by household lending while corporate growth stood still. The growth in household lending is mainly a result of increased mortgage lending along with a flourishing housing market. Meanwhile, companies' lending has decreased.

**Source: Central Bank of Iceland, Statistics Iceland, Iceland Chamber of Commerce**

## DESCRIPTION OF THE ISSUER

### NAME, INCORPORATION AND REGISTRATION

The Issuer's legal and commercial name is Kvika banki hf. The Issuer is a public limited company incorporated in Iceland on 7 May 2002. It is registered with the Register of Enterprises in Iceland and bears the registration number 540502-2930. The registered office of the Issuer is at Katrínartún 2, 105 Reykjavík, Iceland, and its telephone number is +354 540 3200. The Issuer's homepage is: [www.kvika.is](http://www.kvika.is). Information on the website is not part of this Base Prospectus unless that information is incorporated by reference into this Base Prospectus.

The Issuer's purpose is to provide financial services and its operations in Iceland are subject to the provisions of the Act on Public Limited Companies No. 2/1995 and the Act on Financial Undertakings. The Issuer is authorised to engage in operations and carry out financial undertakings -in accordance with the law and in accordance with the Issuer's operating license. The Issuer is authorised to achieve its objectives through the establishment and operation of subsidiaries, as well as other participation and ownership of companies which are compatible to its operations. The Issuer's domestic activities are under the supervision of the FSA.

### HISTORY AND DEVELOPMENT

The Issuer traces its roots back to 1999 when MP Verðbréf hf. was established. MP Verðbréf hf. was granted an investment banking license in Iceland in 2003, following which the name was changed to MP Fjárfestingarbanki hf. In 2008 MP Fjárfestingarbanki hf. was granted a commercial banking license in Iceland.

In April 2011, a group of private investors purchased the Icelandic operations of MP Fjárfestingarbanki hf., which name was later changed to -MP banki hf. In 2011, MP banki hf. acquired Alfa verðbréf hf., a licensed securities company. The merger of the two companies, under the name and registration number of the former, was approved by the FSA in March 2012. In 2015, MP banki hf. and Straumur fjárfestingabanki hf. merged, and the merged bank was renamed Kvika banki hf. Before the merger, Straumur fjárfestingabanki hf. was the only specialised investment bank in Iceland, focusing on capital markets, asset servicing and advisory and corporate finance.

#### Asset management consolidation

In September 2017, the Issuer acquired all shares in Virðing hf., a licensed securities company focusing on asset and fund management with ISK 100 billion of assets under management. Work began on merging the two companies immediately following the acquisition and concluded on 17 November 2017.

In October 2017, The Issuer acquired all shares in Alda sjóðir hf., a fund management company with ISK 44 billion of assets under management. At the end of May 2018, Alda sjóðir hf. and the Issuer's subsidiary, Júpíter rekstrarfélag hf., merged under the name and registration number of the latter. In March 2019, the Group acquired all shares in GAMMA Capital Management hf. (**GAMMA**), a fund management company with ISK 135 billion of assets under management at year-end 2018. GAMMA is held as a subsidiary.

On 31 August 2020, the Issuer announced that its request to merge the Issuer's asset and fund management operations in a single subsidiary, Júpíter rekstrarfélag hf., had been approved by supervisory authorities. In tandem with these changes, the company's name was changed from Júpíter rekstrarfélag hf. to Kvika eignastýring hf. and those employees who worked in asset management at the Issuer were transferred to KES, together with the projects which comprised KES's operations. Following these changes, KES became one of the largest asset and fund management companies in Iceland.

#### Recent developments

In January 2021, the Issuer completed the acquisition of subsidiary, Netgíró hf., which had developed an advanced credit rating system and offers its customers “buy now pay later” services. Further, in March 2021, the Issuer completed the acquisition of subsidiary Aur app ehf., which is a leading fintech player in Iceland with its mobile payments and innovative approach to consumer lending. The acquisitions are in line with the Issuer’s policy of utilising technological solutions to modernize financial services.

In November 2020, the Boards of Directors of the Issuer, TM hf. and Lykill fjármögnun hf. (**Lykill**) approved the merger of the three companies and on 30 March 2021, all conditions of the merger agreement were satisfied and the companies merged under the name, legal identification number and registration number of the Issuer. The merged company is a well-capitalized entity with a broad revenue base and is able to offer its customers a wide range of services in all major areas of financial and insurance services. As a result of the merger, the Issuer’s balance sheet has expanded, with the Issuer taking over Lykill’s operations and acquiring the subsidiaries of TM hf., including TM Tryggingar hf., which continues to operate as an insurance company post-merger.

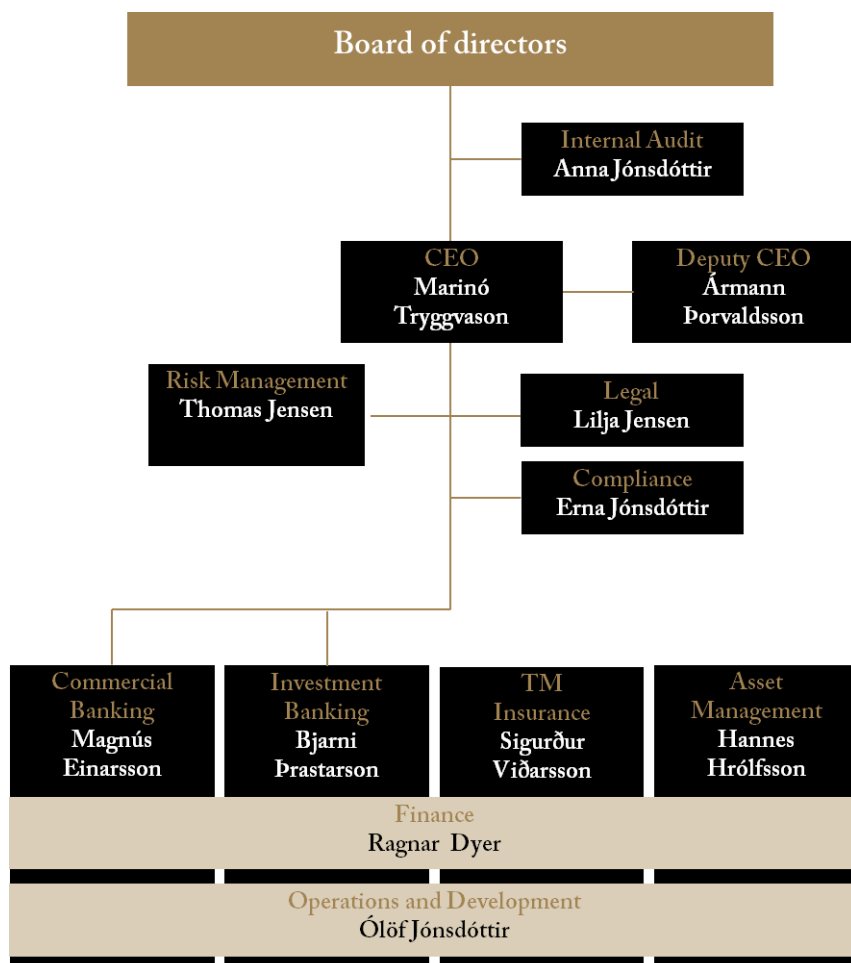
## **BUSINESS OVERVIEW**

The Issuer, which is an Icelandic bank headquartered in Iceland, is categorised by the FSA as a financial conglomerate. Its primary market is Iceland, however, the Issuer has also established operations in the United Kingdom.

The Issuer is a specialised bank, with a license to operate as a commercial bank under the Act on Financial Undertakings, focused on offering specific groups and clients exceptional, tailor-made financial services. Further, the Issuer offers a wide range of financial and insurance services through key subsidiaries such as KES and TM Insurance. The Issuer places emphasis on developing long-term partnerships with its customers through responsive and versatile services and believes that the Group’s size enables it to adapt to its environment with the aim of maintaining profitability and customer service. The Issuer is listed on the Regulated Market of Nasdaq Iceland and as at 30 September 2021, the Group employs 322 full-time employees.

The Issuer’s business lines are Insurance, Asset Management, Commercial Banking and Investment Banking.

## Organisational structure



Pending – Bjarni Þrastarson, who is currently Managing Director of Capital Markets, is expected to assume the position of Managing Director of Investment Banking in January 2022. The change in the Issuer's organisational structure was approved by the Issuer's Board of Directors on 16 December 2021.

The Issuer is the parent company of the Group and owns several subsidiaries. The main subsidiaries held directly or indirectly by the Group are listed in the table below:

Entity	Nature of operations	Domicile	Ownership as at 30 September 2021	Ownership as at 31 December 2020
Aur app ehf.	Financial technology services	Iceland	100 per cent.	-
FÍ Fasteignafélag GP ehf.	Real estate fund management	Iceland	100 per cent.	100 per cent.
GAMMA Capital Management hf.	Fund management	Iceland	100 per cent.	100 per cent.
Kvika eignastýring hf.	Fund management	Iceland	100 per cent.	100 per cent.
M-Investments ehf.	Holding company	Iceland	100 per cent.	100 per cent.
Netgíró hf.	Holding company	Iceland	100 per cent.	20 per cent.
Rafklettur ehf.	Holding company	Iceland	100 per cent.	100 per cent.
TM líftryggingar hf.	Insurance operations	Iceland	100 per cent.	-
TM tryggingar hf.	Insurance operations	Iceland	100 per cent.	-

AC GP 3 ehf.	Fund management	Iceland	80 per cent.	80 per cent.
Kvika Securities Ltd.	Business consultancy services	UK	100 per cent.	100 per cent.

The following subsidiaries have been classified by the Issuer as significant subsidiaries. Although their financial contributions to the Issuer vary, any reputational or other difficulties in their operations can also negatively affect the Issuer. The Issuer is therefore partially dependent on the successful operations of these subsidiaries.

#### ***Kvika Securities Ltd.***

Kvika Securities Ltd. (**KSL**) is a UK subsidiary. KSL is regulated in the United Kingdom by the FCA and is authorised to manage alternative investment funds and provide asset management and corporate finance services. Kvika Advisory Ltd. is a subsidiary of KSL, acquired through the Issuer's acquisition of GAMMA in 2019. Kvika Advisory Ltd. is regulated in the United Kingdom by the FCA and is authorised to provide corporate finance services. Further, KKV Investment Management Ltd. (**KKV**) is a subsidiary and appointed representative of KSL which was founded in 2020. KKV is an alternative credit investment manager focusing on collateralised, non-correlated, income-producing investments.

#### ***Kvika eignastýring hf.***

Kvika eignastýring hf., also referred to as **KES**, is an asset and fund management company. KES is a UCITS management company, licensed under the Act on Financial Undertakings and the Act on UCITS and holds a license to operate as manager of alternative investment funds in accordance with the provisions of Act No. 45/2020, on Alternative Investment Fund Managers. Additionally, KES has an operating license under Act No. 161/2002, on Financial Undertakings, which also covers asset management, investment advice, custody and administration of unit shares of funds for collective investment, as well as the receipt and brokering of orders regarding financial instruments.

#### ***TM tryggingar hf.***

Subsidiary TM tryggingar hf., also referred to as **TM Insurance**, is an Icelandic insurance company that offers comprehensive insurance services in Iceland, as well as offering limited insurance services abroad in the field of marine and property insurance. TM Insurance operates according to Act No. 100/2016 on Insurance services. The company operates in accordance with Act no. 100/2016 on insurance activities and is licensed in the European Economic Area and in the Faroe Islands.

### **Principal Activities**

The Issuer defines four key segments in its business, based on the same principles and structure as internal reporting to executive management and the Board of Directors, which comprise the Issuer's principal activities as performed by the Issuer or its subsidiaries.

#### ***Insurance***

The Issuer's insurance operations are operated through its subsidiary, TM Insurance, which has a rich history and over 60 years of experience. TM Insurance offers a universal and highly diversified product offering to commercial and private customers and its main insurance categories include Motor, Property, Marine, Liability, Accident and Life insurance. TM Insurance operates 9 branches throughout Iceland, including its headquarters in Reykjavík.

#### ***Asset Management***

The Issuer's asset management operations are mainly undertaken by its subsidiary, KES. The segment offers the following services to clients:

*Fund Management* – KES manages a broad range of funds including equity funds, bond funds and mixed funds, which are open for general investors. Furthermore, it offers various alternative investment funds for professional investors.

*Private Banking* – Private banking provides comprehensive financial and wealth management services to individuals and medium-sized companies. Within private banking, customers can choose between active management or investment advice, depending on their willingness to engage actively in investment decisions.

*Institutional Investors* – KES offers comprehensive asset management and portfolio management services for institutional investors.

*Private Equity* – KES is one of the most experienced managers of private equity funds in Iceland, having launched the first fund in February 2008. KES currently manages four equity funds, Auður I slf., Edda slhf., Freyja slhf. and Iðunn framtakssjóður slhf.

### ***Commercial Banking***

Commercial Banking can be divided into three main areas of operations: financing and banking services, deposit and fintech operations, and vehicle and equipment lending under the brand Lykill. In addition, Commercial Banking also manages the Issuer's unlisted assets.

*Financing and banking services* – Commercial Banking offers a range of private banking services to high net worth individuals, businesses and market participants. Further, the Issuer prides itself in offering bespoke financing solutions, including project financing, portfolio financing, bridge lending, mezzanine lending and wholesale funding for fintech solution providers. Emphasis is placed on short-term financing, where the maturity of loans generally do not exceed 24 months.

*Deposit and fintech operations* – The Issuer accepts deposits and offers competitive interest rates, mainly through the online deposit platform Auður. Auður offers competitive deposit rates by automating processes and offering limited services. As Auður's online platform is based on self-service, no contact with staff or physical offices is required. Similarly, the Issuer operates the online platform Framtíðin, which offers bridge and additional lending to individuals purchasing real estate, as well as the “buy now-pay later” service Netgíró, and mobile payment platform Aur.

*Lykill* – Commercial Banking offers lease contracts and loans to individuals and companies to finance cars, heavy machinery and other equipment through its brand Lykill. Main products are car loans, hire purchase agreements and operating lease agreements.

### ***Investment Banking***

The Issuer's investment banking segment consists of Capital Markets, Corporate Finance, Proprietary Trading and Treasury and KSL.

*Capital Markets* – Capital Markets offers full-service brokerage in the Icelandic equity, fixed income and foreign exchange markets. Capital Markets offers professional advice and personal service designed to meet the needs of both retail and institutional customers, and seeks to deliver leading market insight and execution. Capital Markets trades in equity and fixed income in all products, securities, ETFs, swaps, options and other derivatives, equities, bonds and currency on all principal international markets.

*Corporate Finance* – Corporate Finance offers a wide range of value-adding investment banking services focused on acquisitions, divestments and mergers, valuation and transaction structuring, refinancing and restructuring, advisory, debt and capital raises, listings equities and initial public offerings, as well as various other balance sheet related advisory services, such as strategic reviews of securities and businesses.

*Proprietary Trading and Treasury* – Treasury manages the Issuer's day to day liquidity while Proprietary Trading offers market making activities for local issuers of shares and fixed income instruments.

*KSL* – KSL is the Issuer's UK subsidiary, established in 2017. KSL is authorized by the FCA and its focus is on capital raising and M&A Advisory, as well as fund and asset management services. Further, the segment holds the Issuer's minority stake in property lender, Ortus Secured Finance, which the Issuer recently signed heads of terms to acquire a majority stake in.

## **CORPORATE GOVERNANCE**

### **Compliance with Corporate Governance**

The Issuer is obliged to implement recognised guidelines on Corporate Governance under Article 54 of the Act on Financial Undertakings no. 161/2002. The Issuer complies in most respects with the Guidelines on Corporate Governance, 5th edition, published in May 2015 by the Chamber of Commerce, Nasdaq Iceland and the SA Confederation of Icelandic Enterprise. The Issuer has not appointed a nomination committee. This is the Issuer's only deviation from the aforementioned guidelines. The Issuer's Annual General Meeting, held on 14 March 2019, voted to entrust the Board of Directors with the task to assess the benefits and disadvantages of appointing a nomination committee, consult with shareholders on the matter and make a proposal if deemed appropriate. At the Issuer's Annual General Meeting, held on 26 March 2020, the chairman of the Board informed the meeting of the Board's findings, which concluded that a nomination committee would not be beneficial for the Issuer at that time.

In 2018, the Issuer completed a corporate governance assessment process, resulting in an award from the Centre for Corporate Governance in Iceland for exemplary corporate governance in 2018 to 2019. The award is valid for three years as long as there are no material changes in ownership or the Board of Directors of the Issuer. The Board of Directors intends to have such an assessment carried out on a regular basis and maintain the award.

A statement on the Issuer's corporate governance practices is reviewed and agreed upon annually by the Board of Directors and is accessible on the Issuer's website.

### **Internal control, risk management and accounting**

The Issuer's risk policy and risk appetite are regularly reviewed and approved by the Board of Directors (the **Board**). The Board is also responsible for ensuring that an active system of internal controls is in place. The Board defines the risk factors that the Issuer has to address, including their nature and extent. Furthermore, the Board also defines remedial action for the risks in question. The implementation and execution of the internal control rests with the Issuer's managing directors along with control units, i.e. risk management, compliance and the internal auditor. The Board hires an internal auditor and further agrees to an audit plan for each year. The CEO hires a compliance officer, with the approval of the Board. The reports and findings of the internal auditor and the compliance officer are presented directly to the Board.

The Issuer's internal control is built on risk assessment and control measures, which are intended to minimise the risk that exceeds the approved risk appetite of the Issuer. A part of internal control stipulates the formal working procedures to which the internal supervisory units comply.

The Board has implemented a risk policy for the Issuer, for focused and effective risk management and to enhance transparency in the Issuer's risk taking at management level, including the Board, in addition to the operational units and individuals that directly participate in the daily operations and decisions involving risk taking.

The Issuer's finance and operations division is responsible for preparing the Issuer's annual accounts in accordance with IFRS. The accounts are audited by the Issuer's external auditors, Deloitte ehf.

The CEO reports directly to the Board when assessing the effectiveness of internal control and risk management in relation to the annual accounts. The internal audit and risk management committees are tasked with preventing any deficiencies in the accounting process.

The Board regularly assesses the effectiveness of internal control and risk management in the Issuer.



## **The Board of Directors**

The Issuer's Board consists of five main members and two alternate members, who are elected annually, at the Annual General Meeting. The Board members' election term lasts until the next Annual General Meeting. The eligibility of members of the Board is subject to statutory law. In accordance with the Issuer's Equality Policy, when electing the Board, care is taken to ensure there is at least 40 per cent. representation of each gender among main board members and alternate members.

The Board constitutes the supreme authority in the affairs of the Issuer between shareholders' meetings. The main duties of the Board are supervising the operations of the Issuer and ensuring that they are continually in good order. The Board also ensures that the Issuer's financial matters, including the financial reporting practices, are diligently supervised. The Board makes operational plans according to the Issuer's purpose as set out in its articles of association and form policies to achieve set goals. The Board hires the CEO of the Issuer and supervises their work.

As at the date of the Base Prospectus, the Board consists of the following members:

### ***Sigurður Hannesson, Chairman of the Board of Directors***

Borgartún 36, 105 Reykjavík, Iceland

Sigurður Hannesson is the chairman of the Board. He was appointed to the Issuer's Board of Directors in March 2020. He was born in 1980 and works as a Managing Director of SI – the Federation of Icelandic Industries. Sigurður graduated with a DPhil degree in Mathematics from the University of Oxford, and also graduated with a BS degree in Mathematics from the University of Iceland. Sigurður has completed a degree in securities brokerage. From 2013 to 2017, Sigurður worked as a Managing Director of the Issuer's assets management division (previously known as MP banki). In 2015, he was the Vice-Chairman of the Government Implementation Group on the release of capital controls and in 2013, he was the Chairman of the Icelandic government expert group on action for indebted households (Leiðréttingin). From 2010 to 2013, Sigurður worked as the CEO of Júpíter Rekstrarfélag hf., now Kvika Asset Management, and in Capital Markets at Straumur Investment Bank from 2007 to 2010. Sigurður also sits on the boards of NSA Ventures, Auðna-Tæknitorg ehf., Akkur SI, SI 1 ehf., Sundaboginn slhf., Íslenski byggingarvettvangurinn, Seapool ehf., BBL 39 ehf. and the Icelandic Cancer Society. Sigurður owns shares in the Issuer through his shareholding in the private limited company, BBL 39 ehf. Sigurður does not have interest links with major clients, competitors or big shareholders, as defined in the Corporate Governance Guidelines.

### ***Guðmundur Þórðarson, Deputy Chairman of the Board of Directors***

Carrer dels Cavallers 41, 08034 Barcelona, Spain

Guðmundur Þórðarson is the deputy chairman of the Board. He was appointed to the Issuer's Board of Directors in March 2017. Guðmundur was born in 1972. He graduated from the University of Iceland with a Cand. Oecon business degree in 1997. He has also completed a securities brokerage and asset management exam in the UK. Guðmundur's main focus is on managing his own investments. From 1997 to 2000, he worked in Asset Management at Landsbréf hf. From 2000 to 2003, he worked as a specialist in the development and corporate advisory division of Íslandsbanki hf. From 2003 to 2007, he worked as Managing Director of Corporate Finance at Straumur Investment Bank hf. Guðmundur also sits on the boards of Hedda eignarhaldsfélag ehf., Skel Investments ehf. and Attis ehf., as well as serving as an alternate on the board of Bílaleiga BTF ehf. A financially connected party to Guðmundur controls shares in the Issuer through the companies Attis ehf. and SNV Holding ehf. Guðmundur does not have interest links with major clients, competitors or big shareholders, as defined in the Corporate Governance Guidelines.

### ***Helga Kristín Auðunsdóttir, Board member***

Bifröst, 311 Borgarnes, Iceland and Borgartún 25, 105 Reykjavík, Iceland.

Helga Kristín Auðunsdóttir was appointed to the Board in April 2021. Helga Kristín graduated with a BS degree in Business Law from Bifröst University in 2004 and with a Master's degree in Law from the same university in 2006. She graduated with an LLM degree in Law from the University of Miami, with a focus on international Business Law and Contracts. Helga Kristín also studied Law at University of Thessaloniki, in Greece. Currently, Helga Kristin is a doctoral student at Fordham University, where she is researching hedge fund investments and what factors influence how they act as shareholders in listed companies. Helga Kristín has worked as a director and lecturer at Bifröst University for the past nine years. Prior to that, she worked as a lawyer at FGM/Auðkenni (now part of the CBI), a lawyer at Stoðir hf. , and a lecturer at the faculty of Law at University of Miami in 2010 to 2011. Helga Kristín has been a board member of TM hf. from 2020 and was an appointed alternate on the Board of Directors of Tryggingamiðstöðin hf. between 2012 to 2015. Helga Kristín does not have interest links with major clients, competitors or big shareholders, as defined in the Corporate Governance Guidelines.

***Guðjón Karl Reynisson, Board member***

94 Rusthall Avenue, W4 1BS, London, United Kingdom

Guðjón Karl Reynisson was appointed to the Issuer's Board of Directors in March 2018. He was born in 1963 and works as an independent consultant, investor and board member. Between 2008 and 2017 he served as CEO of Hamleys of London. From 2003 to 2008, he served as managing director of the 10-11 stores. From 1998 to 2003, he was the managing director of the sales division of Tal, an Icelandic phone company. He graduated with an MBA degree from the University of Iceland in 2002. He graduated with an Operations and Business degree from the Continuing Education Study of the University of Iceland in 1999 and also graduated with a degree as a licensed physical education teacher from the University of Iceland in 1986. Guðjón has been on the board of directors of Festi hf. since 2014 and Securitas hf. from 2018. Guðjón owns shares in the Issuer through his private limited company, Hakk ehf., but does not have interest links with major clients, competitors or big shareholders as defined in the Corporate Governance Guidelines.

***Ingunn Svala Leifsdóttir, Board member***

Menntavegur 1, 102 Reykjavík, Iceland

Ingunn Svala Leifsdóttir was elected to the Board in April 2021. She graduated with a BS degree in Business from the University of Iceland in 1999, with a focus on accounting and finance, and with a Cand. Oecon business degree from the same university in 2001, with a focus on accounting and management. Ingunn Svala completed the Advanced Management program from the IESE Business School in New York in 2018. Ingunn Svala currently works as the managing director of operations in Reykjavík University and sits on the university's executive board. Ingunn Svala has extensive experience of serving as a board member. She has served as a board member of Slippurinn Akureyri ehf. since 2015 and as a board member of the logistics company Parlogis ehf. since 2014. Ingunn Svala sat on the Audit Committee of VÍS in 2019 to 2021 and was a board member of Líftryggingafélags Íslands (Lífis) from 2017 to 2021. Ingunn Svala has also established and operated her own businesses in accounting and real estate. Ingunn Svala also has extensive experience in the financial sector. She worked for the Kaupthing's Resolution Committee as Chief Financial Officer from 2009 to 2011, as well as working as a Global Business Controller in Investment Banking at Kaupping bank in 2007 to 2009. Ingunn Svala also worked within the Actavis Group PTC consolidation in 2006 to 2007 as a CFO for four subsidiaries, namely Actavis hf., Medís ehf., Actavis Group hf. and Actavis Group PTC ehf.

***Sigurgeir Guðlaugsson, Alternate Board member***

Hrísholt 5, 210 Garðabær, Iceland

Sigurgeir Guðlaugsson was born in 1976. He is an investor and the Managing Director of Citalfort Consulting slf. He graduated with a BSc degree in International Trade from Copenhagen Business School in 1999. He worked in the corporate division of Fjárfestingarbanki atvinnulífsins (later Íslandsbanki hf.), in

1999 to 2003. Sigurgeir worked as the Global Head of M&A at Actavis Group in 2003 to 2006. He was the Managing Director of investments in the healthcare industry at Novator in 2006 to 2009. Sigurgeir founded the consulting company, Citalfort Consulting slf., in 2009 and has worked there ever since, apart from during 2013 when he was a partner and an employee at H.F. securities hf. and when he was the Chief Executive Officer of the biotechnology company, Zymetech ehf., between 2014 to 2016. Sigurgeir was on the Board of Directors of Straumur Investment Bank hf., Actavis Group hf., Actavis Inc., Enzymatica AB, FlyOver Iceland ehf. and Scandinavian Biogas AB. Currently, Sigurgeir sits as Chairman of the Board of Directors at Citalfort Consulting slf., Citius ehf., Investment company Katla Holding ehf., Hekla Invest ehf., U.M.F. Stjarnan and Ögurás ehf. In addition, he sits on the Board of Directors in 3Z ehf. and Coripharma Holding hf. Sigurgeir does not have interest links with major clients, competitors or big shareholders, as defined in the Corporate Governance Guidelines.

#### ***Helga Jóhanna Oddsdóttir, Alternate Board Member***

Brekkustígur 36, 260 Reykjanesbær, Iceland

Helga Jóhanna Oddsdóttir was born in 1973. Helga Jóhanna graduated with a BS degree in Business Administration from the University of Iceland in 1998 and an MSc degree in Business Administration in 2005 from the same school, with a focus on management and strategy. Currently, Helga Jóhanna works at HS Veitur as the director general of operations. From 2011, Helga has been the owner and CEO of Carpe Diem Consulting and during 2015 to 2020 she was an equity partner and CEO of Strategic Leadership in Iceland. Helga Jóhanna has been the managing director of the real estate company GMO ehf. since 2015. Prior to this, Helga Jóhanna was the human resources manager of Landsbréf in 2001 to 2003, the director of human resources at Reykjanesbær in 2003 to 2008, and Chief Operating Officer of Opin Kerfi in 2008 to 2011. Helga Jóhanna also has experience of serving as a board member and served as an alternate member of the board of Frjálsi Lífeyrissjóðurinn (pension fund) and of Samorka, an association of energy and utility companies in Iceland. Helga Jóhanna has worked for the European Union, where she took on leadership development at the local government level in Cambodia in 2017. Helga Jóhanna sat on the Child Protection Committee at Reykjanesbær for eight years and on the Education Council for four years. She has also sat on the board of the basketball club, U.M.F. Stjarnan.

#### **Sub-Committees of the Board of Directors**

According to the Issuer's Articles of Association at the date of this Base Prospectus, the Board shall appoint a Risk Committee, an Audit Committee and a Remuneration Committee for the Company, no later than one month after the Company's Annual General Meeting. The Board of Directors shall appoint at least three individuals for membership of each committee, of which at least two must also be Board members. Appointing employees of the Issuer to any committee is not permitted. Committee members must have the necessary experience and knowledge for each committee's tasks, in accordance with applicable laws and rules. All sub-committees have incorporated procedural rules that must be confirmed and endorsed by the Board of Directors.

#### ***Risk Committee***

The Risk Committee of the Issuer has a consultative and supervisory role for the Issuer's Board of Directors, which includes developing the Issuer's risk policy and risk appetite. The Risk Committee supervises the activity around risk management, credit risk, market risk, liquidity risk, operational risk, reputational risk and other risk, as applicable.

The purpose of the Risk Committee is to act in accordance with Icelandic law and rules of good corporate governance. The Risk Committee is appointed by the Board of Directors in accordance with article 78 of the Act on Financial Undertakings. The Board of Directors shall appoint at least three individuals for membership, of which at least two must also be Board members. The committee is composed of Guðmundur Þórðarson, who is the chairman of the committee, Sigurður Hannesson and Sigríður Mogensen.

### ***Audit Committee***

The Audit Committee of the Issuer performs a consultative and supervisory role for the Issuer's Board of Directors, including ensuring the quality of the annual accounts and other financial information of the Issuer and the independence of the Issuer's audit. The Audit Committee monitors the process of preparation of financial statements, the functioning of internal controls, as well as internal and external auditing.

The purpose of the Audit Committee is to operate according to Icelandic law and rules of good corporate governance. The Audit Committee is appointed by the Board of Directors in accordance with chapter IX. A of the Act no. 3/2006 on Annual Accounts. The Board shall appoint at least three individuals for membership, of which at least two must also be Board members. The committee is composed of Ingunn Svala Leifsdóttir who is the chairman of the committee, Helga Kristín Auðunsdóttir, Hrönn Sveinsdóttir and Inga Björg Hjaltadóttir.

### ***Remuneration Committee***

The Remuneration Committee of the Issuer performs a consultative and supervisory role for the Issuer's Board of Directors in connection with the Issuer's remuneration and ensures they support the objectives and interests of the Issuer.

The purpose of the Remuneration Committee is to operate in accordance with Icelandic law and rules of good corporate governance. The Remuneration Committee is appointed by the Board of Directors in accordance with the Guidelines on Corporate Governance, and Paragraph 7 Article 54 of the Act on Financial Undertakings. The Board shall appoint at least three individuals for membership, of which at least two must also be Board members. The committee is composed of Guðjón Reynisson, who is the chairman of the committee, Sigurður Hannesson and Helga Kristín Auðunsdóttir.

### ***Executive Management***

The Issuer's executive management comprises the CEO, deputy CEO and five managing directors. Further, on the basis of the Issuer's classification as a financial conglomerate, the Group's executive management additionally includes the CEOs of the subsidiaries, TM Insurance and KES.

#### ***Marinó Örn Tryggvason, CEO***

Katrínartún 2, 105 Reykjavík, Iceland

Marinó Örn Tryggvason joined the Issuer as Deputy CEO in August 2017 and became CEO on 27 May 2019. Prior to joining the Issuer, Marinó worked at Kaupthing Banki (**Kaupthing**) from 2002 to 2008. From 2007, Marino was Head of Institutional Asset Management at Kaupthing. From 2008 to 2017, Marino worked at Arion banki hf. Marinó served as Deputy Managing Director of Asset Management at Arion banki hf. from 2014 until 2017, and as Head of Asset Management of Institutional Asset Management from 2008 until 2017. Marinó sat on the Board of Vörður Tryggingar from 2016 to 2017. Marinó holds a BSc business degree from the University of Iceland and is a certified securities broker.

#### ***Ármann Þorvaldsson, Deputy CEO***

Katrínartún 2, 105 Reykjavík, Iceland

Ármann Þorvaldsson joined the Issuer as CEO in June 2017 and became Deputy CEO on 27 May 2019. He has worked in the financial markets for over twenty years. From 1997 until 2005, he was Head of Corporate Finance at Kaupthing and, from 2005 to 2008, he was CEO of Kaupthing Singer & Friedlander in London. He then went on to work at Ortus Secured Finance in London until 2015 when he joined Virding. He was the head of Virding's Corporate Finance division before joining the Issuer. Ármann has an MBA degree from Boston University and a BA degree in History from the University of Iceland.

#### ***Ragnar Páll Dyer, CFO***

Katrínartún 2, 105 Reykjavík, Iceland

Ragnar Páll Dyer joined the Kvika Group in 2010 and was appointed Managing Director of Jupiter Capital Management in 2013. He was then appointed Managing Director of Finance and Operations at the Issuer in 2019. Ragnar started his career in the financial sector in 2007. Before he joined the Issuer, he was a fund manager and a partner of Teton Investments and was a broker at Straumur Investment bank, specialising in interest rates and derivatives. Ragnar has completed the Stanford Executive Program from Stanford University, holds a BSc degree in Engineering Management from the University of Reykjavík and is a licensed securities broker.

***Ólöf Jónsdóttir, COO***

Katrínartún 2, 105 Reykjavík, Iceland

Ólöf Jónsdóttir joined the Issuer in March 2021 as Managing Director of Operations and Development. She was previously CEO of Lykill fjármögnun hf., before which she was Director of Business Operations and Strategic Management, and later Director of Financial Technology for the Issuer. Ólöf has over 15 years of experience in financial markets. She has a BSc degree in mechanical engineering from the University of Iceland and an MSc degree in Operations Research from the London School of Economics.

***Lilja Jensen, General Counsel***

Katrínartún 2, 105 Reykjavík, Iceland

Lilja Jensen has worked for the Issuer and its predecessor since 2012 and has been General Counsel since 2015. Prior to that, Lilja worked for LOGOS legal services intermittently, from 2008 to 2012, alongside law studies post graduation. Prior to legal work, Lilja worked as a nurse at the National University Hospital of Iceland and Eir nursing home. Lilja holds a BSc degree in nursing from the University of Iceland, and a BA and ML degree in Law from Reykjavik University and is licensed to plead cases before the district courts of Iceland.

***Bjarni Eyvinds Prastarson, Managing Director of Investment Banking<sup>17</sup>***

Katrínartún 2, 105 Reykjavík, Iceland

Bjarni Eyvinds Prastarson joined the Issuer (formerly MP banki hf.) in July 2009, after serving as Senior Vice President of Equity sales in Straumur Investment Bank hf. from 2007 to 2009. Prior to joining the Issuer, he worked for Reykjavik Savings Bank, MP banki hf., Íslandsbanki hf., and Straumur Investment Bank hf. He graduated from the George Washington University with a BBA degree in 2002 and is a certified securities broker.

***Magnús Ingi Einarsson, Managing Director of Banking***

Katrínartún 2, 105 Reykjavík, Iceland

Magnús Ingi Einarsson has over thirteen years of experience in the financial markets. He joined Risk Management at the Issuer (then Straumur-Burdaras) in July 2006 and headed the Issuer's credit risk division from 2009. He was Head of Risk Management and later Head of Treasury at Straumur Investment Bank hf. from the bank's establishment, until the end of 2014. He has served as Managing Director of Finance and Operations from 2014 to 2019. In 2019, he was appointed the Managing Director of Corporate Banking (now Commercial Banking). He holds a BSc degree in Mechanical Engineering from the University of Iceland and an MSc degree in Mechanical Engineering from Virginia Tech.

***Sigurður Viðarsson, CEO of TM Insurance***

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<sup>17</sup> Pending – Bjarni Prastarson, who is currently Managing Director of Capital Markets, is expected to assume the position of Managing Director of Investment Banking in January 2022. The change in the Issuer's organisational structure was approved by the Issuer's Board of Directors on 16 December 2021.

Síðumúli 24, 108 Reykjavík, Iceland

Sigurður Viðarsson has been the CEO of TM Insurance since October 2007 and has significant experience in the insurance sector. Prior to joining TM Insurance, he was the deputy CEO and Director of Financial and Insurance Services at Vörður líftryggingar hf. Sigurður has a BSc degree in Business Administration from the University of Iceland.

***Hannes Frímann Hrólfsón, CEO of KES***

Katrínartún 2, 105 Reykjavík, Iceland

Hannes Frímann Hrólfsón has worked for the Group since 2012, first as CEO of Auður Capital (later Virðing hf.) which merged with the Issuer in 2017. Prior to that, Hannes was the Managing Director and co-founder of Tindar Securities and a deputy managing director of treasury and capital markets at Arion banki and Kaupþing bank. Hannes holds a Cand. oecón degree in Business Administration from the University of Iceland. He is a certified securities broker and holds an ACI Dealing certificate.

**Committees established by the CEO**

The CEO of the Issuer is responsible for the effective implementation of the risk policy through the corporate governance structure and committees. In that respect, the CEO has established three committees which are responsible for developing and monitoring risk management policies in their specified areas.

***Asset and Liability Committee (ALCO)***

ALCO supervises the management of the Issuer's balance sheet, assets and liabilities, and strives to achieve the goals of profitability. This involves determining the most efficient division between returns and risk, and allocating funds to the Issuer's business units. ALCO sets measurable profitability goals and strives to achieve them. ALCO is composed of the CEO, the Director of Finance and Operations, the Head of Treasury and the Head of Risk Management. The deputy Head of Treasury attends committee meetings as an impartial observer and does not participate in the decision-making on individual decisions. However, the deputy Head of Treasury has the right to speak at committee meetings and has the right to put forward motions.

***Credit Committee***

The Credit Committee addresses matters regarding the Issuer's loan activities and is responsible for and makes decisions on the investments and sale of unlisted securities, and in relation to divisions other than Treasury and Proprietary Trading, the Credit Committee oversees the investment and sale of unit share certificates in funds for collective investment. The Credit Committee is responsible for the approval of larger loans and is the primary forum for the discussion of the Issuer's credit rules, including credit limits for relevant divisions of the Issuer. The Credit Committee is composed of the CEO, the Managing Director of Commercial Banking, Managing Director of Finance and Operations and the General Counsel. The Head of Risk Management attends committee meetings as an impartial person and does not participate in decision-making on individual lending or investments. The Head of Risk Management is authorised to speak at meetings and has a power to veto.

***Operations Committee***

The Operations Committee is responsible for supervision and implementation of the Issuer's security and quality policies. The security policy mainly addresses data security and operational security in IT systems, physical security for personnel and proper access controls and monitoring the Issuer's premises. The quality policy is aimed at upholding proper quality in work processes, IT systems and services to support performance and profitability, lower operational risk and improving the customer experience. The committee is composed of the Head of Business operations and strategic management, the Managing Director of Finance and Operations, the Head of Risk Management, the Head of Back Office and the Head of the IT department. The internal auditor, the Compliance Officer and the Office Manager attend committee meetings as observers.

## Potential Conflicts of Interest

Many employees, who were originally employees of the Issuer before the merger with TM hf. and Lykill, own shares in the Issuer as well as warrants issued by the Issuer. Similarly, members of the Issuer's Executive Management and members of the Board of Directors own shares in the Issuer as well as warrants issued by the Issuer. A number of these individuals have contributed to the preparation of this Base Prospectus. Aside from the aforementioned, neither the Board of Directors nor members of the executive management are aware of any other potential conflicts of interest between the duties of the members of the Board of Directors or members of the Executive Management to the Issuer and their private interests or other duties.

The Issuer has in place rules against conflicts of interests, which include the Issuer's policy on conflicts of interests which may be accessed on the Issuer's website.

## SHAREHOLDERS

The Issuer's share capital consists of one class of shares and each issued share carries equal rights, in accordance with the Issuer's Articles of Association. The ISIN number of the Shares is IS0000020469. The shares' ticker symbol in the trading system of Nasdaq Iceland is KVIKA.

The Issuer had 2,678 shareholders at 11 November 2021, none of whom hold more than 10 per cent. of total shares in the Issuer. Pursuant to the Act on Financial Undertakings, the Issuer is obliged to specify on its website the names and proportional holdings of all parties, and beneficial owners, owning more than 1 per cent. of total share capital in the Issuer at any given time.

To the extent known to the Issuer, the Issuer is not directly or indirectly owned or controlled by parties other than listed shareholders.

Apart from the issued warrants described in the section "*Warrants*" below, no other arrangements are known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

## Warrants

The Bank has issued warrants for shares in the total nominal amount of ISK 180,808,331 as at 30 September 2021. The number of owners of these warrants is 88 and they purchased the warrants for a total consideration of ISK 70,514,432. The purchase price of the warrants was determined using market standard methodology and a valuation from an independent appraiser as applicable. Should the owners of the warrants exercise their warrants, the Bank is obliged to issue new shares and sell to the warrant owners at a predefined price, usually referred to as strike price. If all the warrants would be exercised, the Bank's share capital would increase to 5,046,153,255, and the newly issued shares would represent 3.6 per cent. of the Bank's total issued capital, post dilution.

## FINANCIAL INFORMATION

The consolidated financial statements of the Issuer for the years 2020 and 2019, and the interim financial statements for the six months ended 30 June 2021 and the nine months ended 30 September 2021, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and additional requirements in the Act on Annual Accounts. The consolidated financial statements include the Issuer and its subsidiaries. It should be noted that consolidated financial statements for the years 2020 and 2019 do not reflect the Issuer's merger with TM hf., the previous parent company of TM Insurance, and Lykill, which are included in the Issuer's interim financial statements for the six months ended 30 June 2021 and the nine months ended 30 September 2021.

The Issuer's latest financial statements comprise the period of 1 January 2021 to 30 September 2021 and include the Issuer and its subsidiaries.

Deloitte ehf. has audited the Group's consolidated financial statements for the years ended 2020 and 2019, and reviewed the Group's condensed interim consolidated financial statements for the six months ended 30 June 2021 and 30 June 2020.

### **Auditors**

The Issuer's audit firm is Deloitte ehf., reg. no. 521098-2449, Smáratorgi 3, 201 Kópavogi, Iceland. Deloitte ehf. has been the Issuer's audit firm since it was elected at the Issuer's Annual General Meeting in March 2016.

## **REGULATORY AND TAX ENVIRONMENT**

### **Capital Requirements**

The Issuer's capital management framework is based on CRD IV, which is an EU legislative package consisting of Directive 2013/36/EU of the European Parliament and the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or restated from time to time (**CRD IV**) and Regulation 575/2013/EU (**CRR**). CRD IV and CRR were implemented into Icelandic legislation for the most part by amendments made to the Act on Financial Undertakings (Act on Financial Undertakings No. 161/2002) and with the Regulation on the Prudential Requirements for Financial Undertakings. The first amendment was introduced on 9 July 2015 by Act No. 57/2015, which amended the Act on Financial Undertakings and incorporated into Icelandic law the CRD IV's provisions on capital buffers and regulation implementing the provisions of the CRR and other technical standards. The second amendment, introduced on 1 September 2016 by Act No. 96/2016, amended the Act on Financial Undertakings and incorporated the CRD IV's provisions on operating licences, initial capital, information obligations, leverage ratios, supervisory review and the evaluation process. The third amendment, introduced on 9 May 2017 by Act No. 23/2017, includes an obligation on financial undertakings to establish effective and reliable mechanisms to enable employees to report potential or actual breaches of laws and/or regulations that apply to the undertakings. The fourth amendment, introduced on 19 June 2018 by Act No. 54/2018, further amended the Act on Financial Undertakings and introduced provisions on supervision and prudential requirements on a consolidated basis, co-operation with supervisors in other countries in the European Economic Area and a legal basis for the regulation on large exposures. The fifth amendment, introduced on 18 February 2019 by Act No. 8/2019, amended the Act on Financial Undertakings and included provisions regarding the board of directors and auditing. The remaining features of CRD IV (not already incorporated by the amendments outlined above) are still to be implemented into Icelandic law.

The remainder of the CRR was enacted into Icelandic law by the entry into force of Regulation No. 233/2017 on 6 March 2017.

Furthermore, a revised European banking package consisting of a regulation amending the CRR (Regulation (EU) 2019/876 (CRR II)) and a directive amending the CRD IV (Directive (EU) 2019/878 of 20 May 2019 (CRD V)) was published in the EU's Official Journal on 7 June 2019. CRR II and CRD V introduced changes to the leverage ratio, requirements for own fund and MREL, counterparty credit risk, market risk, exposures to central counterparties, large exposures, reporting and disclosure requirements, remuneration, capital conservation measures and the NSFR amongst others. Prospective investors in the Notes should consult their own advisers as to the consequences of the implementation of CRD IV and the CRR as well as further changes to capital adequacy and liquidity requirements in Iceland.

### **European Bank Recovery and Resolution Directive**

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive** or **BRRD**) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing relevant entity, in order to ensure the



continuity of the relevant entity's critical financial and economic functions, while minimising the impact of a relevant entity's failure on the economy and financial system.

Iceland, together with Liechtenstein and Norway (the **EEA States**), is a party to the EEA Agreement by which the EEA States participate in the internal market of the EU. The BRRD is marked EEA relevant in the Official Journal of the EU and thus should be incorporated into the EEA Agreement.

The provisions of the BRRD have been implemented into Icelandic law by means of a combination of legislative acts. First, the passage of Act No. 54/2018, amending the Act on Financial Undertakings, implemented the BRRD provisions focusing on recovery plans and timely intervention to prevent an economic shock to financial institutions operating in Iceland.

Second, the enactment of Act No. 70/2020 on Recovery and Resolution of Credit Institutions and Investment Firms implemented the parts of the BRRD which provide for the resolution process, from preventative measures and preparation, to decision-making and the implementation of each resolution. Under the Act, the CBI possesses powers of resolution and can take action, prepare and execute resolution procedures on behalf of credit institutions and investment firms.

As the Resolution Authority, the CBI oversees the preparation and implementation of each resolution and oversees a special funding resource, the Resolution Fund, which is intended to finance the resolution process. Additionally, the Act also provides for the implementation of Minimum Requirement for own funds and Eligible Liabilities (**MREL**) in Iceland and amended the amount guaranteed in the deposit guarantee scheme under which payments to each depositor are now guaranteed up to the equivalent of EUR 100,000 in ISK.

More recently, the Hierarchy of Claims Bill has been submitted to the Icelandic Parliament, which intends to implement Directive 2017/2399/EU (and amend the Recovery and Resolution Act) with regards to the position of unsecured debt instruments in the insolvency hierarchy. The bill is expected to be passed into law in May or June 2022, but no assurance can be given that the law will be passed by such time, if at all.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) a relevant entity is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such relevant entity within a reasonable timeframe, and (c) a resolution action is in the public interest. These resolution tools are: (i) sale of business – which enables resolution authorities to direct the sale of the relevant entity or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the relevant entity to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the relevant entity to meet its repayment obligations; (iii) asset separation – which enables resolution authorities to transfer any assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can only be used together with another resolution tool); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing relevant entity and to convert certain unsecured debt claims (including Notes) to equity (the **general bail-in tool**), which equity could also be subject to any future cancellation, transfer or dilution.

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

When applying the general bail-in tool, the resolution authority must first reduce or cancel common equity tier one, and thereafter reduce, cancel and convert additional tier one instruments and then tier two instruments. Other unsubordinated debt may also be reduced, cancelled or converted in accordance with the

hierarchy of claims in normal insolvency proceedings. If this total reduction is less than the amount needed, the resolution authority will reduce or convert, to the extent required, the principal amount or outstanding amount payable in respect of unsecured creditors in accordance with the hierarchy of claims in normal insolvency proceedings. The BRRD excludes certain liabilities from the application of the general bail-in tool and provides also that the resolution authorities may exclude or partially exclude certain further liabilities from the application of the general bail-in tool. Accordingly, *pari passu* liabilities may be treated unequally and as a result, the claims of other holders of junior or *pari passu* liabilities may be excluded from the application of the general bail-in tool, meaning the holders of such claims may receive a treatment which is more favourable than that received by Noteholders.

Furthermore, the resolution authorities will have the power to amend or alter the maturity of debt instruments and other eligible liabilities, amend the amount of interest payable under such instruments and other eligible liabilities, or amend the date on which the interest becomes payable, including by suspending interest payments for a temporary period.

In addition to the resolution tools (such as the general bail-in tool), the BRRD provides for resolution authorities to have the further power to permanently write down or convert into equity, capital instruments (such as the Subordinated Notes) at the point of non-viability and before, or at least together with, the application of any other resolution action (**non-viability loss absorption**). Any shares issued to holders of the Subordinated Notes upon any such conversion into equity may also be subject to any application of the general bail-in tool or other powers under the BRRD.

For the purposes of the application of any non-viability loss absorption measures, the point of non-viability under the BRRD is the point at which (i) the relevant authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or (ii) the relevant authority or authorities, as the case may be, determine(s) that the relevant entity or group will no longer be viable unless the relevant capital instruments (such as the Subordinated Notes) are written down or converted, or (iii) extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the economy of an EEA State and to preserve financial stability.

## **Tax Environment**

The Issuer's results of operations depend, to a certain extent, on tax laws and tax treaties, or the interpretation thereof.

Under the Act on Special Tax on Financial Institutions, No. 155/2010, which requires certain types of financial institutions, including the Issuer, to pay an annual levy of the carrying amount of their liabilities as determined for tax purposes. This levy is currently 0.145 per cent. Non-financial subsidiaries are exempt from this tax. There can be no assurance that the levy will not be further increased.

In June 2009, the Icelandic Parliament adopted an amendment to the Income Tax Act No. 90/2003 (the **ITA**) as a result of which payments of Icelandic sourced interest by an Icelandic debtor, such as the Issuer, to a foreign creditor, including holders of Notes who are not Icelandic, are taxable in Iceland at a current rate of 12 per cent. This taxation is applicable unless the foreign creditor can demonstrate and obtain approval from the Directorate of Inland Revenue in Iceland that an exemption applies, such as the existence of a relevant double taxation treaty, and in such case, the provisions of the double tax treaty will apply. Bonds issued by energy companies and certain financial institutions, including bonds issued by the Issuer, are also subject to exemption. The exemption, subject to certain other requirements, applies to bonds that are held through a clearing system, such as Euroclear and Clearstream, Luxembourg, within a member state of the Organisation for Economic Co-operation and Development (OECD) or the European Economic Area (EEA), a founding member state of European Free Trade Association (EFTA) or the Faroe Islands.

The Issuer is required to pay a special tax levied on all remuneration paid to employees in accordance with the Act on Tax on Financial Activities, No. 165/2011. The levy is currently set at 5.5 per cent. of such remuneration. Additionally, under Article 71 of the ITA, there is a special additional income tax on legal entities liable for taxation according to Article 2 of Act No. 165/2011, which includes the Issuer. The levy is set at 6 per cent. on income over ISK 1 billion, disregarding joint taxation and transferable losses.

## **TAXATION**

### **General**

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of Iceland and the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

### **Iceland Taxation**

The comments below are of a general nature based on the Issuer's understanding of current law and practice in Iceland. This is not tax advice but a mere general overview of Icelandic rules. Prospective holders of the Notes who are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction, should consult their professional advisers.

In light of the existing withholding tax regime in Iceland as regards non-residents, the clearing of the Notes through Euroclear and/or Clearstream, Luxembourg will be subject to confirmation that the relevant registration requirements with the Icelandic authorities have been completed.

#### ***Icelandic residents***

Icelandic residents are subject to tax on any interest income derived by them from the Notes, individuals and companies at the rate of 20 per cent. and taxable partnerships at the rate of 37.6 per cent. The Issuer is liable to withhold tax on interest payments to Icelandic residents at the rate of 22 per cent.

Capital gains on the sale of the Notes are subject to the same tax as interest income of Icelandic residents.

#### ***Non-Icelandic residents***

Non-Icelandic residents are not subject to Icelandic tax on any interest income derived by them from the Notes provided the Notes are registered with a securities depository within the Organisation for Economic Co-operation and Development, the European Economic Area or a member of the European Free Trade Association or the Faroe Islands, and the Issuer has registered any Notes issued under the Programme with the Directorate of Internal Revenue in Iceland and received confirmation of exemption for the Notes from such taxation, all in accordance with point 8 of the first Paragraph of Article 3 of Act no. 90/2003 on Income Tax. The Issuer will provide a certificate of such tax exemption for each issue of Notes.

In the event that the Issuer is required to withhold tax then the provisions of Condition 8 will apply and the Issuer will be required to pay additional amounts to cover the amounts so withheld.

Capital gains on the sale of the Notes are classified as interest and should thus not be subject to tax in Iceland, provided that the aforementioned confirmation of exemption has been granted in respect of the Notes.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are strongly advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

The Foreign Account Tax Compliance Act (**FATCA**) imposes a 30 per cent. United States withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and dividend equivalents), or other fixed or determinable annual or periodical gain, profits, and income (**Withholdable Payments**), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of a holder), unless such institution enters into an agreement with the United States Treasury Department to collect and provide to the United States Treasury Department certain information regarding United States account holders, including certain account holders that are foreign entities with United States owners or otherwise complies with FATCA. A Note may constitute a “financial account” for these purposes and thus, be subject to information reporting requirements pursuant to FATCA.

In addition, under FATCA, “passthru payments” made by a foreign financial institution to “recalcitrant holders” or non-compliant foreign financial institutions are subject to a 30 per cent. United States withholding tax. A “recalcitrant holder” generally is a holder of an account with a foreign financial institution that fails to comply with reasonable requests for information that will help enable the relevant foreign financial institution to comply with its reporting requirements. Pursuant to United States Treasury Department regulations, a passthru payment is any Withholdable Payment and any “foreign passthru payment”, which has yet to be defined. Under the regulations and other guidance, the 30 per cent. United States withholding tax on “recalcitrant holders” or non-compliant foreign financial institutions may be imposed on non-United States source payments made by the Issuer with respect to the Notes no earlier than the date that is two years after the date on which final regulations defining the term foreign pass thru payment are published in the United States Federal Register.

If the Issuer determines withholding is appropriate with respect to the Notes, the Issuer will withhold tax at the applicable statutory rate without being required to pay any additional amounts with respect to amounts so withheld. However, the withholding tax will not be imposed on payments pursuant to obligations giving rise to Withholdable Payments solely because payments are treated as foreign passthru payments if the obligation is executed on or before the date of that is six months after the date on which final regulations defining the term foreign passthru payment are filed with the United States Federal Register. Holders are urged to consult with their own tax advisers regarding the possible implications of FATCA on their investment in the Notes.

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 21 December 2021, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **Selling Restrictions**

#### ***United States***

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms or (in the case of Exempt Notes) Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### ***Prohibition of sales to EEA Retail Investors***

Unless the Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the

Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (A) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (B) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (C) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms or (in the case of Exempt Notes) Pricing Supplement, specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable” in relation to each Member State of the EEA, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

### ***United Kingdom***

Unless the Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

- (a) the expression retail investor means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms or (in the case of Exempt Notes) Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

- (A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (C) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision the expression an **offer of Notes** to the public in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and **UK Prospectus Regulation** means Regulation (EU) 1129/2017 as it forms part of UK domestic law by virtue of the EUWA.

#### ***Other UK regulatory restrictions***

Each Dealer has also represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for



the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Hong Kong***

The Notes may not be offered or sold in Hong Kong, by means of any document, other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***Singapore***

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

### ***Switzerland***

This Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (**FinSA**) and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

### ***General***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the board of directors of the Issuer dated 24 November 2021.

### Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of MiFID.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing on the Official List and admitted to trading and/or quotation by the regulated market of Euronext Dublin or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

### Irish Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Regulated Market for the purposes of the Prospectus Regulation.

### Documents Available

For the life of this Base Prospectus, the following documents will, when published, be available for inspection at <https://www.kvika.is/en/investor-relations/prospectuses>:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (c) a copy of this Base Prospectus; and
- (d) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms and Pricing Supplements (save that a Pricing Supplement will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated therein by reference.

In addition, copies of this Base Prospectus, any supplement to this Base Prospectus and Final Terms relating to Notes listed on Euronext Dublin will be published on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>. Copies of Final Terms relating to Notes which are admitted to trading on any other regulated market in the EEA, will be published in accordance with the rules and regulations of the relevant listing authority or stock exchange and otherwise in accordance with the Prospectus Regulation.

## **Clearing Systems**

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

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking SA, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **Significant or Material Change**

There has been no significant change in the financial performance or financial position of the Group since 30 September 2021 and there has been no material adverse change in the prospects of the Issuer since 31 December 2020.

## **Litigation**

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

## **Auditors**

The auditors of the Issuer are Deloitte ehf., State Authorised Public Accountants of Smáratorgi 3, 201 Kópavogi, Iceland, who have audited the consolidated financial statements as of and for the years ended 31 December 2020 and 31 December 2019, without qualification, which were prepared in accordance with IFRS as adopted by the EU for each of the financial years ended 31 December 2020 and 31 December 2019.

The auditors are members of The Institute of State Authorised Public Accountants and are independent within the meaning of Independent State Authorised Public Accountant.

## **Dealers transacting with the Issuer**

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Dealers and/or their affiliates have, directly or indirectly, performed investment and commercial banking or financial advisory services for the Issuer, for which they have received customary fees and commissions, and they expect to provide these services to the Issuer and its affiliates in the future, for which they also expect to receive customary fees and commissions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Yield**

In relation to any Tranche of Fixed Rate Notes or Reset Notes which are not Exempt Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price and on the basis of the rate of interest as at the Issue Date of the Notes. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

### **Websites**

In this Base Prospectus, reference to websites or uniform resource locators (**URLs**) are inactive textual references. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Base Prospectus.

### **Original language references**

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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Printed by Allen & Overy LLP  
UKO2: 2003635033.14