This prospectus was approved by the Swedish Financial Supervision Authority on 5 January 2026. The validity of this prospectus will expire within twelve (12) months after the date of its approval. The obligation to supplement this prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the prospectus is no longer valid.

ÍSLANDSBANKI HF.

Prospectus for admission to trading of SEK 700,000,000 and NOK 200,000,000 Floating Rate Additional Tier 1 Notes with ISIN NO0013697466 and NO0013697425

Important information

This prospectus (the "**Prospectus**") has been prepared by Íslandsbanki hf. with registration number 491008-0160 (the "**Issuer**" or "**Íslandsbanki**" and together with the entities forming part of the Issuer's prudential consolidated situation from time to time, the "**Group**", and each a "**Group Company**"), in relation to the application for admission to trading of the Issuer's SEK 700,000,000 and NOK 200,000,000 Floating Rate Additional Tier 1 Notes with ISIN NO0013697466 and NO0013697425 issued on 25 November 2025 (the "**SEK Notes**", and the "**NOK Notes**", and together the "**Notes**") on the corporate bond list of Nasdaq Stockholm AB ("**Nasdaq Stockholm**").

Words and expressions defined in the terms and conditions for the Notes (the "**Terms and Conditions**") have the same meanings when used in this Prospectus, unless expressly stated or otherwise follows from the context. "**DKK**" refers to Danish kroner**,** "**EUR**" refers to Euro, "**ISK**" refers to Icelandic króna, "**NOK**" refers to Norwegian kroner and "**SEK**" refers to Swedish kronor. "**M**" refers to million(s) and "**bn**" refers to billion(s).

Notice to investors

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the "**SFSA**", Sw. *Finansinspektionen*) pursuant to Chapter II and Article 20 in the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"). Furthermore, Annexes 7 and 15 of the Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004, form the basis for the content of this Prospectus. Approval and registration in accordance with the Prospectus Regulation does not constitute any guarantee from the SFSA that the information in this Prospectus is accurate or complete.

No person has been authorised to provide any information or make any statements other than those contained in this Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorised or approved by the Issuer and the Issuer assumes no responsibility for such information or statements. The publication of this Prospectus does not imply that the information in this Prospectus is correct and current as at any date other than the date of this Prospectus or that there have not been any changes in the Issuer's or the Group's business since the date of this Prospectus. If the information in this Prospectus becomes subject to any material change, such material change will be made public in accordance with the provisions governing the publication of supplements to prospectuses in the Prospectus Regulation.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Notes in any jurisdiction. It has been prepared solely for the purpose of admitting the Notes to trading on Nasdaq Stockholm. This Prospectus may not be distributed in the US, Australia, Hong Kong, Japan, Canada, Switzerland, Singapore, South Africa or New Zealand or in any other jurisdiction where such distribution or disposal requires additional prospectus, registration or additional measures or is contrary to the rules and regulations in such country. Persons into whose possession this Prospectus comes or persons who acquire the Notes are therefore required to inform themselves about, and to observe, such restrictions. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any U.S. state securities laws and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons (as defined in Rule 902 of Regulation S under the Securities Act).

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Issuer's auditor. Certain financial information in this Prospectus may have been rounded off and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. This Prospectus shall be read together with all documents that are incorporated by reference and possible supplements to this Prospectus. This Prospectus is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus.

Forward-looking statements and market data

This Prospectus may contain certain forward-looking statements that reflect the Issuer's current views or expectations with respect to future events and financial and operational performance. The words "intend", "estimate", "expect", "may", "plan", "anticipate" or similar expressions regarding indications or forecasts of future developments or trends, which are not statements based on historical facts, constitute forward-looking information. Although the Issuer believes that these statements are based on reasonable assumptions and expectations, the Issuer cannot give any assurances that such statements will materialise. Because these forward-looking statements involve known and unknown risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statement.

Factors that could cause the Issuer's and the Group's actual operations, result or performance to differ from the forward-looking statements include, but are not limited to, those described in the section "*Risk factors*". The forward-looking statements included in this Prospectus apply only to the date of the Prospectus. The Issuer undertakes no obligation to publicly update or revise any forward- looking statements, whether as a result of new information, future events or otherwise, other than as required by law. Any subsequent forward-looking information that can be ascribed to the Issuer and the Group or persons acting on the Issuer's behalf is subject to the reservations in or referred to in this section.

The Prospectus may contain market data and industry forecasts, including information related to the sizes of the markets in which the Group participates. The information has been extracted from a number of sources. Although the Issuer regards these sources as reliable, the information contained in them has not been independently verified and therefore it cannot be guaranteed that this information is accurate and complete. However, as far as the Issuer is aware and can assure by comparison with other information made public by these sources, no information has been omitted in such a way as to render the information reproduced incorrect or misleading. In addition to the above, certain data in the Prospectus is also derived from estimates made by the Issuer.

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RISK FACTORS

The risk factors below are limited to risks which are specific to the Issuer, the Group and/or the Notes and which are assessed to be material in order for an investor to make an informed investment decision. The risk factors are presented in categories where the most material risk factors in a category are presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

RISKS RELATING TO THE ISSUER'S BUSINESS ACTIVITIES AND INDUSTRY

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

The Issuer is subject to credit risk and may be unable to sufficiently assess credit risk of potential borrowers and may provide advances to customers that increase credit risk exposure. The Issuer undertakes credit risk by offering loans, guarantees and other credit products. Credit risk is the primary risk factor in the Issuer's operations and taking on credit risk is a core activity of the Issuer. Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's potential failure to meet the terms of any contract with the Issuer. Accurate and comprehensive financial information and other credit information may be limited for certain types of borrowers such as small enterprises or individuals. Despite any credit risk determination procedures the Issuer has in place, the Issuer may be unable to evaluate correctly the current financial condition of each prospective borrower to determine their long-term financial viability. Failure to accurately assess and address credit risks associated with a borrower may increase credit risk exposure and could have a material adverse effect on the Issuer's business and financial condition. As at year end 2024, the Issuer's regulatory credit risk exposure amount was ISK 1,635 billion, a rise from ISK 1,622 billion compared to year end 2023. Credit risk accounted for 89 per cent. of capital requirements under Pillar 1.

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

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties or a general deterioration in the Icelandic economy or global economic conditions, or arising from systemic risks in the financial markets, could affect the recoverability and value of the Issuer's assets and require an increase in its provision for bad and doubtful debts and other provisions. To the extent that any of the instruments and strategies the Issuer uses to hedge or otherwise manage its exposure to credit risk are not effective, it may not be able to mitigate effectively its risk exposures in particular market environments or against particular types of risk. The Issuer's earnings will depend upon how its critical accounting estimates prove accurate and upon how effectively it determines and assesses the cost of credit and manages its risk concentrations. To the extent its assessments of migrations in credit quality and of risk concentrations, or its assumptions or estimates used in establishing its valuation models for the fair value of its assets and liabilities or for its loan loss reserves, prove inaccurate or not predictive of actual results, it could suffer higher than anticipated losses.

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

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

As of the end of Q3 2025, the Issuer's loan portfolio to customers was exposed to concentration in certain industry sectors, namely individuals (49 per cent.), commerce and services (15 per cent.), real estate (11 per cent.), construction (8 per cent.), industrial and transportation (6 per cent.), the seafood industry (5 per cent.) and other (6 per cent.). The Issuer's financial condition is sensitive to downturns in these industries and the consequent inability of the Issuer's customers to meet their obligations towards the Issuer. A decline in the financial condition of the Issuer's largest borrowers could also materially affect the Issuer's business, financial condition and results of operations. In terms of geographic credit concentration, most of the Issuer's activities are in Iceland, but the Issuer maintains a certain amount of international activities. The Bank maintains a portfolio of carefully selected international exposures in sectors such as seafood, infrastructure, and leveraged finance, in line with risk appetite and strategic objectives. As at the end of 2024, the Issuer's credit risk and credit concentration risk accounted for 83 per cent. of the total capital requirements.

Under Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), as amended by Regulation (EU) 2019/876 ("**CRR II**"), a "large exposure" is an exposure to a customer or to a group of affiliated customers that equals or exceeds 10 per cent. of the Group's Tier 1 capital. As at the end of Q3 2025, the Group had two such large exposures. As at the same date, no single exposure to a customer or to a group of affiliated customers amounted to 25 per cent. of the Group's Tier 1 capital. If at any time an exposure to a customer or to a group of affiliated customers were to exceed 25 per cent. of the Group's Tier 1 capital, the Group and the Issuer could be required to reduce such exposure and could be subject to regulatory sanctions.

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

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

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

Market risk is defined as the current or prospective risk to earnings and capital arising from adverse movements in the level or volatility of prices of market instruments, such as those that arise from changes in interest rates, inflation, equity prices and foreign exchange rates. Market risk is a key risk to the Issuer's operations. The Issuer takes on market risk as a part of its business strategy.

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

Changes in interest rates may impact the Issuer's results

The results of the Issuer's operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income and investment income. The composition of the Issuer's assets and liabilities, and any gap position resulting from the composition, causes the interest income to vary as interest rates change. In addition, variations in interest rate sensitivity may exist within the re-pricing periods or between the different currencies in which the Issuer holds interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of the Issuer's business. The Issuer might, in some cases, not succeed in adjusting interest rates and margins on its interest-earning assets, e.g. customer loans, concurrently with increases in interest rate increases in respect of its interest-bearing liabilities, leading to short- and/or mid-term mismatches in interest rate levels between the Issuer's interest-earning assets and its interest-bearing liabilities. Such delays in interest rate adjustment may adversely affect the Group's financial condition and it is not certain that the Issuer's management of interest rate risk will fully mitigate the effect of those factors on its performance.

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

The Issuer has an investment portfolio that includes mainly debt securities. If the price of these securities declines, this could substantially reduce the value of the Issuer's securities portfolio. These securities are measured at fair value at the end of each financial period, and declines in the market value of the portfolio could accordingly materially affect the Issuer's profitability, even if those declines have not been realised through the sale of the relevant securities. Price fluctuations could also materially affect the Issuer's regulatory capital and the capital ratios that the Issuer is required to maintain under applicable law. The Issuer is also subject to the equity risk in its trading portfolios and in its banking book. The Issuer's equity risk arises from flow trading, market making, shares acquired through restructuring of companies and strategic investments. Equity exposure in the banking book, including fair value shares and shares held for sale, amounted to ISK 10.1 billion at the end of 2024.

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

The Issuer is also exposed to inflation risk (CPI risk) since assets linked to the consumer price index (as calculated by Statistics Iceland in accordance with the Act on Price Indexation No. 12/1995 (Icelandic: Lög um vísitölu neysluverðs nr. 12/1995) and published monthly in the Legal Gazette (Icelandic: Lögbirtingablaðið) in Iceland (the Consumer Price Index or CPI)) do not match liabilities linked to the CPI. The value of these assets and liabilities changes according to changes in the CPI at any given time and all changes in the CPI affect the profit and loss of the Issuer. The total CPI-linked imbalance of the Issuer amounted to ISK 182 billion as at end of Q3 2025. Accordingly, changes in the inflation rate may negatively affect the profit and loss of the Issuer and could have a material adverse effect on the Issuer's operations and financial condition.

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

The Issuer defines liquidity risk as the risk of not being able to fund its financial obligations or planned growth, or only being able to do so substantially above the prevailing market cost of funds. The Issuer's liquidity risk policy assumes that the Issuer always strives to exceed regulatory liquidity ratio limits. The Issuer's main source of funding is customer deposits, which amounted to ISK 1,009 billion as at end of Q3 2025. Key measures for the assessment of liquidity risk are the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). As at end of Q3 2025, the Issuer's LCR was 207 per cent. and the NSFR was 129 per cent. The inability of the Issuer to anticipate and provide for unforeseen decreases or changes in funding sources could have an adverse effect on the Issuer's ability to meet its obligations as and when they fall due, which could have a material adverse effect on the Issuer's results.

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorised transactions by employees or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. The Issuer's definition of operational risk includes reputational risk, legal risk, and model risk among other risk factors. According to the Supervisory Review and Evaluation Process (SREP) results, operational risk accounted for 0.9 per cent. of total SREP capital requirement of the Group as at year end 2024.

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

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

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

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

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

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

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

The Issuer relies on certain key members of management

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

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

The Issuer defines compliance risk as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Issuer may suffer because of its failure to comply with applicable laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct. In 2023, compliance risk was elevated to level 1 risk in the Issuer's risk taxonomy. That entailed expanding the scope of compliance risk where financial crime risk, data protection risk, conduct risk and regulatory compliance risk are now level 2 risk factors overseen by the compliance function. In 2023, the Issuer implemented certain remedial measures to its compliance function pursuant to a settlement agreement it entered into with the FSA, concluding the FSA's inspection into the execution of an offering by the Icelandic state of shares of the Issuer that took place in March 2022. There is a risk that the Issuer's measures to ensure compliance with applicable laws, regulations, rules related self-regulatory organisation standards, and codes of conduct in the future are inadequate which could lead to reputational damage and adversely affect its financial condition.

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

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

RISKS RELATING TO MACROECONOMIC AND OTHER BUSINESS CONDITIONS

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

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

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

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

The United States government has during 2025 enacted and proposed to enact significant new trade tariffs. In particular, the new U.S. Presidential administration has directed federal agencies to evaluate key aspects of U.S. trade policy and there has been ongoing discussion and commentary regarding potential significant changes to U.S. trade policies, treaties and tariffs, including implementing reciprocal tariffs on countries that impose tariffs on U.S. exports. The extent and duration of the enacted and proposed tariffs, and corresponding trade barriers, as well as the probability of new trade tariffs, are uncertain and the impact on the Issuer's business and operations depends upon various factors, including negotiations between the U.S. and other countries, exemptions or exclusions that may be granted and whether tariffs are announced by additional countries. Such tariffs and related restrictions might disrupt trade patterns and negatively affect the economies of certain countries (such as Iceland) that are reliant upon exports. Any such events or future events might materially alter the relationship between Iceland and the United States.

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

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

The current sanctions (and potential further sanctions in response to continued Russian military activity) and other actions have not only had a significant adverse impact on various sectors of the Russian economy, but have also adversely affected the wider European and global economy as well as financial and energy markets. However, the market impact in Iceland has so far been moderate. GDP growth in 2022, 2023 and 2024 was at a rate of 9.0 per cent., 5.6 per cent. and 0.5 per cent. respectively according to Statistics Iceland's data as the Icelandic economy rebounded from the 2020 recession and the impact of the COVID-19 pandemic. The direct and indirect risk to Iceland's economy has therefore abated as the domestic export sector, as well as the global economy, has adapted to the ongoing conflict.

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

Systemic risk could adversely affect the Issuer's business

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

RISKS RELATING TO THE ISSUER'S BUSINESS MODEL

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

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

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

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

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

RISKS RELATING TO CAPITAL AND OTHER REGULATORY REQUIREMENTS OF THE ISSUER

The Issuer's capital management framework is based on directive 2013/36/EU (CRD IV) and regulation 575/2013/EU (CRR), which have already been implemented into Icelandic legislation.

In Europe, the U.S. and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors in Note exposures and/or on the incentives for certain investors to hold Notes, and may thereby adversely affect the liquidity of such securities.

In particular, it should be noted that the Basel Committee on Banking Supervision (BCBS) has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as Basel III). Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. In December 2017, BCBS published the final phase of the Basel III framework, which included (i) the standardised approach for credit risk, (ii) internal ratings-based approach for credit risk, (iii) minimum capital requirements for credit valuation adjustment risk, (iv) minimum capital requirements for operational risk, (v) output floor and (vi) leverage ratio. In addition, the BCBS published the revised minimum capital requirements for market risk in January 2019. As part of the European Union's banking package of 2021, and in order to implement the final phase of the Basel III Framework, the European Commission adopted, in October 2021, a proposal to amend Regulation (EU) No 575/2013 (CRR III Proposal) and a proposal to amend Directive 2013/36/EU (CRD VI Proposal). The CRR III Proposal and CRD VI Proposal include several European Union-specific deviations from the final phase of the Basel III Framework. In order to implement the CRR III Proposal and the CRD VI Proposal, the European Commission has amended the CRR by Regulation (EU) 2024/1623 (CRR III) and the CRD by Directive (EU) 2024/1619 (CRD VI). Both of which were published in the Official Journal of the European Union on 19 June 2024 and entered into force twenty days afterwards. Most amended provisions of the CRR became effective on 1 January 2025 while CRD implementation provisions are to be transposed by EU member states and applicable as of 11 January 2026.

The CRR III was incorporated into the EEA Agreement by EEA Joint Committee Decision No 291/2024. According to the decision, the EFTA states are granted a deadline until 1 July 2025 to implement the CRR III. A bill to implement the regulation into Icelandic law is expected to be passed before the end of this parliamentary session in December 2025. As for the CRD VI, the Icelandic Ministry of Finance and Economic Affairs expects the legislation to enter into force in Iceland in the third quarter of 2026. The implementation of CRR III is expected to have a notable impact on the Issuer's risk exposure amount and capital ratios and lead to approximately 6-7 per cent. reduction in the Issuer's risk exposure amount.

Any failure by the Issuer to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions, which may have a material adverse effect on the Issuer's profitability and results and may also have other effects on the Issuer's financial performance and on the pricing of the Notes, both with or without the intervention by regulators or the imposition of sanctions. Furthermore, regulatory capital requirements may also change in the future, and it cannot be ruled out that such changes may be detrimental to the Issuer’s profitability and results.

LEGAL AND REGULATORY RISK

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

As a financial institution, the Issuer must comply with a comprehensive set of laws and regulations. The legal and regulatory environment of the Issuer is constantly changing and the Issuer puts substantial resources into monitoring and implementing these changes to ensure full compliance. Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, investor protection, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices. Banking and financial services laws, regulations and policies currently governing the Issuer and its subsidiaries may change at any time in ways which have a material effect on the Issuer's business. Furthermore, legal development through case law may also affect the Issuer’s business, financial condition and results of operations. For example, there are as of November 2025 three ongoing disputes involving other Icelandic banks awaiting a Supreme Court decision, concerning the terms of certain residential mortgages, the outcome of which is uncertain and may have an adverse effect on the Issuer. The Issuer cannot predict the timing or form of any future regulatory initiatives. Changes in existing banking and financial services laws and regulations may materially affect the way in which the Issuer conducts its business, the products or services it may offer and the value of its assets. If it fails, or appears to fail, to appropriately address these changes or initiatives, its reputation could be harmed and it could be subject to additional legal risk, which could, in turn, increase the size and number of claims and damages asserted against it or subject it to enforcement actions, fines and penalties. Regulatory agencies have the power to bring administrative or judicial proceedings against the Issuer, which could result, among other things, in suspension or revocation of its licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially adversely affect its results of operations and financial condition.

The Icelandic government, as well as the European Union and its member states, have passed and issued many statutes and regulations affecting the banking and financial services industry since 2008. There can be no assurance that the Icelandic government, or the European Union or its member states, will not enact new regulations with effects that could adversely affect the Group's business, results of operation and financial position.

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

At the end of Q3 2025, 64 per cent. of the Issuer's mortgage loans are inflation-linked. Under these loans, the monthly repayment increases if and to the extent that inflation in Iceland increases. Following the financial crisis in 2008, inflation in Iceland increased significantly. This resulted in higher payments falling due under inflation-linked loans at the same time as borrowers faced lower wages and less purchasing power. There was significant debate in Iceland regarding these loans in the period preceding the parliamentary elections in April 2013. The Icelandic government announced at the end of November 2013 an action plan aimed at reducing the country's housing debt. On the basis of the action plan, the Icelandic Parliament passed Act No. 35/2014 and Act No. 40/2014. The objective of Act No. 35/2014 was to write down the principal of indexed residential mortgages. Act No. 40/2014, which amended the Pension Act No. 129/1997, authorised households with residential mortgages, in the period between 1 July 2014 and 30 June 2017, to use payments which would otherwise go to a private pension fund to reduce the principal amount of their mortgages. This option has since been extended until 31 December 2025. This option is open to all residential mortgage holders regardless of the form of their mortgage. This action plan was financed by an increase in the Bank Levy that has increased the Issuer's financial burden and decreased its profitability. There is a risk that additional legislation may be adopted or other government action taken to reduce the payment burden under inflation-linked mortgages. Should this occur, it would have a materially negative impact on the Issuer's loan portfolio, financial condition and results of operations.

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

The Issuer's results of operations could be harmed by changes in tax laws and tax treaties or the interpretation thereof, changes in corporate tax rates and the refusal of tax authorities to issue or extend advanced tax rulings.

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

According to the Icelandic Act No. 90/2003 on Income Tax, as amended (ITA), payments of Icelandic sourced interest by an Icelandic debtor, such as the Issuer, to a foreign creditor, including holders of bonds, who are not Icelandic are taxable in Iceland and can be subject to withholding tax at the rate of 12.0 per cent. for individuals for interest income in excess of ISK 300,000 and 12.0 per cent. for legal entities. This withholding is applicable unless the foreign creditor can demonstrate and obtain approval from the Iceland Internal Revenue that an exemption applies, such as the existence of a relevant double taxation treaty, and in such case the provisions of the double tax treaty will apply. The exemption, subject to certain other requirements, applies to bonds that are held through a clearing system, such as Euronext VPS, Euroclear and Clearstream, Luxembourg, within a member state of the Organisation for Economic Co-operation and Development (the OECD), the EEA, a founding member state of the European Free Trade Association (the EFTA) or the Faroe

Islands. Notes issued by the Issuer are subject to the aforementioned exemption.

According to the Act on Tax on Financial Activities, No. 165/2011, certain types of financial institutions, including the Issuer, are required to pay a special additional tax levied on all remuneration paid to employees. As of present, the levy is set at 5.5 per cent of such remuneration. Additionally, according to Article 71 of the ITA, a special additional income tax on legal entities liable for taxation according to Article 2 of Act No. 165/2011, which includes the Issuer, is set at 6.0 per cent on income over ISK 1 billion, disregarding joint taxation and transferable losses. The aforementioned taxes and levies placed on the Issuer increase the cost burden on the Issuer and subjects it to a competitive disadvantage relative to other competitors, which are not subject to such taxes or levies. The Issuer may be subject to additional taxes or levies in the future, so there can be no assurance that additional taxes and levies could increase the Issuer's cost of funding and operating costs generally, reduce the ability of the Issuer to compete effectively with other lenders and/or decrease the Issuer's lending volumes and margins, any of which could have a material adverse effect on the Issuer's business, prospects, financial position and/or results of operations, and its ability to make payments in respect of the Notes. Any such increase could have a material adverse effect on the financial condition of the Issuer and its ability to make payments in respect of the Notes.

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

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

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

Risks relating to claims brought by customers, counterparties and other third parties

The Issuer may from time to time be subject to claims, complaints or legal proceedings brought by customers, counterparties or other third parties. Litigation and regulatory investigations can be costly, time-consuming and unpredictable. Adverse judgments, settlements or remediation actions could require the Issuer to pay damages, reimburse interest or fees, modify contractual terms or change practices, and could result in increased provisions, legal and other costs, and reputational harm.

RISKS RELATING TO THE NOTES

The Issuer's obligations under the Notes are deeply subordinated

The Notes constitute unsecured and deeply subordinated obligations of the Issuer and the Issuer Consolidated Situation. In the event of a winding up of the Issuer, the rights of the Noteholder to payments on or in respect of (including any damages awarded for breach of any obligations under) the Notes (which in the case of any payment of principal shall be to payment of the then nominal amount of the Notes only) shall at all times rank:

(a) *pari passu* without any preference among themselves;

(b) *pari passu* with:

   (i) any liabilities or capital instruments of the Issuer which constitute Additional Tier 1 Capital; and

   (ii) any other liabilities or capital instruments of the Issuer that rank, or are expressed to rank, equally with the Notes,

   in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a winding up of the Issuer and the right to receive repayment of capital on a winding up of the Issuer;

(c) senior to the claims of holders of all classes of the Issuer's shares in their capacity as such holders and any other liabilities or capital instruments of the Issuer that rank, or are expressed to rank, junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a winding up of the Issuer and the right to receive repayment of capital on a winding up of the Issuer; and

(d) junior to any present and future claims of

  (i) depositors of the Issuer;

  (ii) any other unsubordinated creditors of the Issuer; and

  (iii) except as expressly stated in paragraph (a) or (b) above, any subordinated creditors, including, for the avoidance of doubt, holders of any instruments which as at their respective issue dates constitute or constituted Tier 2 Capital.

In the event of the voluntary or involuntary winding up of the Issuer, there is a risk that the Issuer does not have enough assets remaining after payments to senior ranking creditors to pay amounts due under the Notes. No Noteholder who is indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of Notes held by such Noteholder.

As a result of the above, there is a risk that the Noteholders will lose some or all of their investment in the Notes. Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated or which are subordinated but not so deeply, there is a significant risk that an investor in the Notes will lose all or some of its investment in the event of a voluntary or involuntary winding up of the Issuer. Accordingly, in a worst-case scenario, the value of the Notes may be reduced to zero.

As noted in the risk factor "*Loss absorption at the point of non-viability of the Issuer*" below, there is a risk of the Notes being written down or converted into other securities in a resolution scenario or at the point of non-viability of the Issuer.

Interest payments on the Notes may be cancelled by the Issuer

Any payment of Interest in respect of the Notes is subject to the Issuer still being solvent and in compliance with Applicable Capital Regulations immediately thereafter such payment, and shall be payable only out of the Issuer's Distributable Items and (i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Capital Regulations; or (ii) will be mandatorily cancelled if and to the extent so required by the Applicable Capital Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.

Any cancellation of Interest (in whole or in part thereof) shall in no way limit or restrict the Issuer from making any payment of interest or equivalent payment or other distribution in connection with any instrument ranking junior to the Notes, any CET1 capital of the Issuer or in respect of any other Additional Tier 1 Capital instruments. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

As a result of the above, there is a risk that the payment of Interest is cancelled, which would adversely affect the Noteholders. Following any cancellation of interest as described above, Noteholders shall have no right thereto or to receive additional interest or compensation. Furthermore, no cancellation of interest in accordance with the terms of the respective Notes shall constitute a default in payment or otherwise under the Notes or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer. Accordingly, in a worst-case scenario, the amount of any Interest may be reduced to zero.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes is likely to be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and also more sensitive generally to adverse changes in the Issuer's financial condition.

Loss absorption following a Trigger Event

If at any time the CET1 Ratio of (i) the Issuer or the Issuer Consolidated Situation is less than 5.125 per cent., this constitutes a Trigger Event and the total nominal amount of the Notes shall be written down by an amount sufficient to restore the CET1 ratio of the Issuer or the Issuer Consolidated Situation to at least 5.125 per cent., as applicable, provided that the nominal amount of each Note may not be written down below a Nominal Amount per Note of SEK or NOK 1 (as applicable). The write-down of the Notes is likely to result in a Noteholder losing some or all of its investment.

Following any such reduction of the Total Nominal Amount, the Issuer may, at its discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met. The Issuer will not in any circumstances be obliged to reinstate in whole or in part the principal amount of the Notes (and any such reinstatement is likely to require unanimous approval at a shareholders' meeting of the Issuer).

The Issuer and/or the IFSA may determine that a Trigger Event has occurred on more than one occasion and the reduced nominal amount of each Note may be written down on more than one occasion. Further, during any period when the then nominal amount of a Note is less than the initial nominal amount, interest will accrue on, and the Notes will be redeemed at, the reduced nominal amount of the Notes.

The Issuer's and/or the IFSA's calculation of the CET1 ratio of the Issuer and/or the Issuer Consolidated Situation, and therefore its determination of whether a Trigger Event has occurred, shall be binding for the Noteholders, who shall have no right to challenge the published figures detailing the CET1 ratio of the Issuer and/or the Issuer Consolidated Situation.

Loss absorption at the point of non-viability of the Issuer

The Noteholders are subject to the risk that the Notes may be required to absorb losses as a result of statutory powers conferred on resolution and competent authorities in Iceland (the IFSA). The powers provided to resolution and competent authorities in the Bank Recovery and Resolution Directive (as amended by Directive EU (2019/879) ("**BRRD II**")) (the "**BRRD**") include write-down/conversion powers to ensure that relevant capital instruments (such as the Notes) fully absorb losses at the point of non-viability of the issuing institution in order to allow it to continue as a going concern subject to appropriate restructuring and without entering into resolution. As a result, the BRRD contemplates that resolution authorities have the power to require the permanent write-down of such capital instruments (which write-down may be in full) or the conversion of them into CET1 instruments at the point of non-viability and before any other bail-in or resolution tool can be used. Accordingly, in a worst-case scenario, the capital instruments may be written down and the value of the Notes may be reduced to zero.

There is a risk that the application of any non-viability loss absorption measure results in the Noteholders losing some or all of their investment. Any such conversion to equity or write-off of all or part of an investor's principal (including accrued but unpaid interest) shall not constitute an event of default and any affected holder of Notes will have no further claims in respect of any amount so converted or written off. The exercise of any such power is inherently unpredictable and depends on a number of factors which are outside the Issuer's control. Any such exercise, or any suggestion that the Notes could be subject to such exercise, would, therefore, materially adversely affect the value of Notes.

The Issuer may redeem the Notes on the occurrence of a Capital Disqualification Event or Tax Event

The Issuer may in certain circumstances, at its option, but in each case subject to obtaining the prior consent of the IFSA (if and to the extent then required by the Applicable Capital Regulations) redeem the Notes upon the occurrence of a Capital Disqualification Event or Tax Event at par together with accrued Interest on any Interest Payment Date.

It should also be noted that the Issuer may redeem the Notes as described above even if (i) the Total Nominal Amount of the Notes has been reduced by means of a write-down in accordance with the Terms and Conditions and (ii) the principal amount of the Notes has not been fully reinstated to the initial Nominal Amount of the Notes.

There is a risk that the Noteholders will not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Notes.

The Notes have no maturity and call options are subject to the prior consent of the IFSA

The Notes have no fixed final redemption date and the Noteholders have no rights to call for the redemption of the Notes. The Issuer has the option to, at its own discretion, redeem the Notes at any Business Day falling within the Initial Call Period or any Interest Payment Date falling after the Initial Call Period, but the Noteholders should not invest in the Notes with the expectation that such a call will be exercised by the Issuer.

If the Issuer considers it favourable to exercise such a call option, the Issuer must obtain the prior consent of the IFSA. The IFSA may agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer and certain other factors at the relevant time. There is therefore a risk that the Issuer will not exercise such a call or that the IFSA will not permit such a call. The Noteholders may be required to bear the financial risks of an investment in the Notes for an indefinite period of time and there can be no assurance that the Issuer will or may exercise the call option.

Admission to trading, liquidity and the secondary market

The Issuer shall use reasonable efforts to ensure that the Notes are admitted to trading on the corporate bond list of Nasdaq Stockholm within sixty (60) days from the Issue Date or, if such admission to trading is not possible to obtain, admitted to trading on another Regulated Market. However, the Issuer is dependent upon the prior approval of the listing from Nasdaq Stockholm as well as the Swedish FSA approving the prospectus required for the purpose of listing the Notes on Nasdaq Stockholm. There is a risk that the Notes will not be admitted to trading in time, or at all. If the Issuer fails to ensure that the Notes are admitted to trading on Nasdaq Stockholm within sixty (60) days from the Issue Date or at all, the Noteholders would not be able to accelerate the Notes or otherwise request a prepayment or redemption of the nominal amount of the Notes.

Even if the Notes are admitted to trading on the aforementioned market, active trading in the Notes does not always occur and a liquid market for trading in the Notes might not occur even if the Notes are listed. This may result in the Noteholders not being able to sell their Notes when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Notes. Further, the nominal value of the Notes may not be indicative compared to the market price of the Notes if the Notes are admitted to trading on Nasdaq Stockholm. It should also be noted that during a given time period it may be difficult or impossible to sell the Notes on the secondary market on reasonable terms, or at all, due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

Substitution or variation of the Notes

Subject to Clause 12.6 (*Early Voluntary Redemption or Substitution or Variation due to Capital Disqualification Event, Tax Event or Alignment Event (Call Option)*) of the Terms and Conditions and the prior written permission of the IFSA (if and to the extent then required by the Applicable Capital Regulations), the Issuer may, at its option and without the permission or approval of the relevant Noteholders, elect to substitute or vary the terms of all (but not some only) outstanding Notes for, provided that they become or remain, as applicable, Qualifying Capital Notes if a Capital Event, a Tax Event or an Alignment Event occurs.

There is a risk that, due to the particular circumstances of each Noteholder, any Qualifying Capital Notes will be less favourable to each Noteholder in all respects or that a particular Noteholder would not make the same determination as the Issuer as to whether the terms of the relevant Qualifying Capital Notes are not materially less favourable to Noteholders than the terms of the relevant Notes. The substitution or variation of the Notes may thus lead to changes in the Notes that have effects that are less favourable to the Noteholders. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequence suffered by any Noteholder). The degree to which the Notes may be substituted or varied is uncertain and presents a highly significant risk to the return of the Notes.

The Issuer is not (and nor is any other Group Company) prohibited from issuing further debt, which may rank *pari passu* with or senior to the Notes

There is no restriction on the amount or type of debt that the Issuer, or another company within the Group, may issue or incur that ranks senior to, or *pari passu* with, the Notes. There is a risk that the incurrence of any such debt reduces the amount recoverable by Noteholders in the event of the voluntary or involuntary winding up or resolution proceeding of the Issuer, limits the ability of the Issuer to meet its obligations in respect of the Notes and results in Noteholders losing all or some of their investment in the Notes. The degree to which other debt that ranks senior to, or *pari passu* with, the Notes may be issued is uncertain and presents a significant risk to the amount recoverable by Noteholders.

The Issuer is not (and nor is any other Group Company) prohibited from pledging assets for other debt

There is no restriction on the amount or type of assets that the Issuer or any other Group Company can pledge, or otherwise use as security, for other debt. If the Issuer chooses to do so, there is a risk that this reduces the amount recoverable by Noteholders in the event of the voluntary or involuntary winding up or resolution proceeding of the Issuer and results in Noteholders losing all or some of their investment in the Notes.

The degree to which any other asset pledged may affect the Noteholders is uncertain and presents a significant risk to the amount recoverable by Noteholders.

The Terms and Conditions do not contain any right for the Noteholders or the Agent to accelerate the Notes

The Notes are intended to constitute Additional Tier 1 Capital of the Issuer. As such, the Terms and Conditions do not include any obligations or undertakings on the Issuer, the breach of which would entitle the Noteholders or the Agent to accelerate the Notes. Accordingly, if the Issuer fails to meet any obligations under the Notes, including any payment of principal, interest and/or other amounts due under the Notes, Noteholders will not have any right to request repurchase of their Notes or any other remedy for such breach. As a result, there is a risk that the Noteholders will not receive any prepayment unless in the case of the Issuer being placed into bankruptcy or is subject to liquidation proceedings (which prepayment would be deeply subordinated, see "The Issuer's obligations under the Notes are deeply subordinated." above)

European Benchmarks Regulation

In order to ensure the reliability of reference rates (such as STIBOR and NIBOR), legislative action at EU level has been taken. Hence, the so-called Benchmarks Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indexes used as reference values for financial instruments and financial agreements or for measuring investment fund results and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014) was added and entered into force on 1 January 2018. The Benchmark Regulation regulates the provision of reference values, reporting of data bases for reference values and use of reference values within the EU. There are future risks that the benchmark regulation affects how certain reference rates are determined and how they are developed. This in conjunction with increased administrative requirements is likely to lead to a reduced number of entities involved in the determination of reference rates, which, in such case, would lead to a certain reference interest ceasing to be published.

The Terms and Conditions provide that the interest rate benchmark STIBOR (in respect of the Notes denominated in SEK) and NIBOR (in respect of the Notes denominated in NOK), which apply for the Notes (as applicable), can be replaced as set out therein, upon the occurrence of a Base Rate Event which includes if STIBOR and/or NIBOR cease to be calculated or administered. Such replacement shall be made in good faith and in a commercially reasonable manner and is always subject to the Applicable Capital Regulations and the prior written consent of the IFSA. However, there is a risk that such replacement is not made in an effective manner and consequently, if STIBOR and/or NIBOR cease to be calculated or administered, an investor in the Notes would be adversely affected. The degree to which amendments to and application of the European Benchmarks Regulation may affect the Noteholders is uncertain and presents a significant risk to the return on the Noteholder's investment.

RESPONSIBILITY FOR THE INFORMATION IN THE PROSPECTUS

The Issuer issued the Notes on 25 November 2025. This Prospectus has been prepared in relation to the Issuer applying for admission to trading on the corporate bond list of Nasdaq Stockholm of the SEK 700,000,000 and NOK 200,000,000 Floating Rate Additional Tier 1 Notes with ISIN NO0013697466 and NO0013697425 (the Notes).

The Issuer has obtained all necessary resolutions, authorisations and approvals required in conjunction with the Notes and the performance of its obligations relating thereto. The issuance of the Notes has been authorised by resolution by the board of directors of the Issuer on 30 October 2025.

The Prospectus has been approved by the SFSA as competent authority under Regulation (EU) 2017/1129. The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. The SFSA's approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus, nor should it be considered as an endorsement of the quality of the securities that are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import. The board of directors of the Issuer is, to the extent provided by law, responsible for the information contained in this Prospectus.

Any information in this Prospectus which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no factshave been omitted which would render the reproduced information inaccurate or misleading.

Stockholm on 5 January 2026

Íslandsbanki hf.

The board of directors

THE NOTES IN BRIEF

This section contains a general and broad description of the Notes. It does not claim to be comprehensive or cover all details of the Notes. Potential investors should therefore carefully consider this Prospectus as a whole, including the documents incorporated by reference (see the section "*Supplementary information*") and the full Terms and Conditions for the Notes, which can be found in section "*Terms and Conditions for the Notes*", before a decision is made to invest in the Notes.

Concepts and terms defined in section "*Terms and Conditions for the Notes*" are used with the same meaning in this section unless otherwise is explicitly understood from the context or otherwise defined in this Prospectus.

General

Issuer..	Íslandsbanki hf., reg. no. 491008-0160.
Resolutions, authorisations and approvals....................................	The Issuer's board of directors resolved to issue the Notes on 30 October 2025.
The Notes offered.......................	The Notes are offered in two tranches: SEK 700,000,000 and NOK 200,000,000 Floating Rate Additional Tier 1 Notes.
Number of Notes........................	720 Notes (whereof 560 Notes are SEK Notes and 160 Notes are NOK Notes).
ISIN..	The ISIN for the SEK Notes is NO0013697466 and the ISIN for the NOK Notes is NO0013697425.
Issue Date..................................	25 November 2025.
Nature of the Notes....................	The Notes constitute additional tier 1 capital (Sw. *primärkapitaltillskott*) as defined in Part Two, Title I of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as the same may be amended or replaced from time to time, as amended by Regulation (EU) 2019/876.
Supervisory authority..................	The Financial Supervisory Authority of the Central Bank of Iceland (Icel. *Fjármálaeftirlit Seðlabanka Íslands*) (IFSA) has the primary banking supervisory authority with respect to the Issuer.
No maturity.................................	The Notes constitute perpetual obligations of the Issuer and have no fixed date for redemption. The Issuer may only redeem the Notes at its discretion in the circumstances described in the Terms and Conditions. The Notes are not redeemable at the option of the Noteholders at any time.
Price...	All Notes are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount.
Interest Rate...............................	Interest on the SEK Notes is paid at a rate equal to the sum of three (3) months STIBOR plus 3.50 per cent. *per annum*. Interest on the NOK Notes is paid at a rate equal to the sum of three (3) months NIBOR plus 3.58 per cent. *per annum*. Interest will accrue from (and including) the Issue Date.

Use of benchmark and Benchmark Regulation...........................	Amounts payable under the Notes (as defined herein) are calculated by reference to STIBOR and NIBOR, which are provided by the Swedish Financial Benchmark Facility and Norske Finansielle Referanser AS, respectively. As of the date of this Prospectus, the Swedish Financial Benchmark Facility and Norske Finansielle Referanser AS appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority and are authorised to operate as benchmark administrators pursuant to article 34 of the Benchmark Regulation (Regulation (EU) 2016/1011).
Interest Payment Date.................	25 February, 25 May, 25 August, and 25 November of each year, or, to the extent such day is not a CSD Business Day, the CSD Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Notes shall be 25 February 2026 and the last Interest Payment Date shall be the relevant Redemption Date.
Nominal Amount.........................	Each Note has a nominal amount of SEK 1,250,000 or NOK 1,250,000 respectively and the minimum permissible investment in connection with the Note Issue was SEK 1,250,000 or NOK 1,250,000, respectively.
Status and ranking of the Notes..	The SEK Notes are denominated in SEK and the NOK Notes are denominated in NOK. The Notes constitute direct, unsecured and subordinated debt liabilities of the Issuer and shall, as regards the right to receive periodic payments (to the extent not cancelled) or repayment of capital for Noteholders in the event of the insolvency, winding up or resolution process of the Issuer, rank: (a) *pari passu* without any preference among themselves; (b) *pari passu* with (i) any present or future liabilities or capital instruments of the Issuer which constitute Additional Tier 1 Capital of the Issuer and the Issuer Consolidated Situation and (ii) any other liabilities or capital instruments of the Issuer that rank or are expressed to rank *pari passu* with the Notes; (c) senior to holders of all classes of the Issuer's shares in their capacity as such holders; and (d) junior to any present and future claims of (i) depositors of the Issuer, (ii) any other unsubordinated creditors of the Issuer, and (iii) any subordinated creditors of the Issuer whose rights rank or are expressed to rank in priority to the Notes, including, for the avoidance of doubt, holders of notes which constitute Tier 2 Capital of the Issuer and the Issuer Consolidated Situation.
Interest cancellation.....................	Any payment of Interest in respect of the Notes shall be payable only out of the Issuer's Distributable Items and: (a) are subject to the Solvency Condition; (b) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Capital Regulations; and (c) will be mandatorily cancelled to the extent so required by, or in accordance with, the Applicable Capital Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.

Following any cancellation of Interest as described above, the right of the Noteholders to receive accrued Interest in respect of any such Interest Period will terminate and the Issuer will have no further obligation to pay such Interest or to pay interest thereon, whether or not payments of Interest in respect of subsequent Interest Periods are made, and such unpaid Interest will not be deemed to have "accrued" or been earned for any purpose.

Write-down upon a Trigger Event…………………………..	If at any time a Trigger Event occurs the Issuer will irrevocably cancel any accrued and unpaid interest in respect of the Notes to (but excluding) the Write-Down Date (as defined below) in accordance with Clause 10 (Interest and Interest Cancellation) of the Terms and Conditions (including if payable on the Write-Down Date); and on the Write-Down Date (without any requirement for the consent or approval of the Noteholders), reduce the then Total Nominal Amount or the Issuer's payment obligation under the Notes in accordance with Clause 11.1 of the Terms and Conditions (such reduction a "**Write-Down**"). A Write-Down shall take place without delay on a date selected by the Issuer in consultation with the IFSA (the "**Write-Down Date**") but no later than one month following the occurrence of the relevant Trigger Event. The IFSA may require that the period of one month referred to above is reduced in cases where it assesses that sufficient certainty on the required amount of the write-down is established or in cases where it assesses that an immediate write-down is needed. A Write-Down shall be made as a reduction of the Total Nominal Amount where the Nominal Amount of the Notes shall be reduced to a certain percentage of the Nominal Amount and such Write-Down shall be made in accordance with the rules of the CSD and shall, under the Accounting Principles generate items that qualify as CET1 Capital. The amount of the reduction of the Total Nominal Amount on the Write-Down Date shall equal the amount of a Write-Down that would restore the CET1 Ratio of the Issuer to at least 5.125 per cent., and the CET1 Ratio of the Issuer Consolidated Situation to at least 5.125 per cent., in each case at the point of such Write-Down, provided that the maximum reduction of the Total Nominal Amount shall be down to a Nominal Amount per Note corresponding to, in respect of the SEK Notes, SEK 1 and, in respect of the NOK Notes, NOK 1. A Write-Down in accordance with Clause 11.1 of the Terms and Conditions shall be made taking into account any preceding or imminent Write-Down or conversion of corresponding or similar loss absorbing instruments (if any) issued by the Issuer or any other member of the Issuer Consolidated Situation, including but not limited to Additional Tier 1 Capital instruments (other than the Notes). To the extent the Write-Down or conversion of any corresponding or similar loss absorbing instruments is not possible for any reason, this shall not in any event prevent a Write-Down of the Notes. For the avoidance of doubt, the Nominal Amount of each Note shall, upon the Write-Down of the Total Nominal Amount described above, be written down on a pro rata basis. A Write-Down may occur on more than one occasion and the Notes may be written down on more than one occasion. Any Write-Down shall not constitute an Acceleration Event.

For the purposes of determining whether a Trigger Event has occurred, the CET1 Ratio of the Issuer or the Issuer Consolidated Situation (as applicable) will be calculated based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for ensuring effective ongoing monitoring of the CET1 Ratios of the Issuer or the Issuer Consolidated Situation. The determination as to whether a Trigger Event has occurred shall be made by the Issuer, the IFSA or any agent appointed for such purposes by the IFSA and any such determination shall be binding on the Issuer and the Noteholders.

"**Trigger Event**" means if, at any time, the CET1 Ratio of the Issuer or the Issuer Consolidated Situation, as calculated in accordance with the Applicable Capital Regulations, is less than 5.125 per cent., in each case as calculated in accordance with the Applicable Capital Regulations and as determined by the Issuer or the IFSA (or any agent appointed for such purpose by the IFSA).

Reinstatement of the Notes......... Following a Write-Down, the Issuer may, at its absolute discretion, reinstate any portion of the principal of the Notes, subject to compliance with any maximum distribution limits set out in, and otherwise in accordance with, the Applicable Capital Regulations.

Unless a reinstatement of the Nominal Amount of the Notes is permitted and possible in accordance with the rules of the CSD, reinstatement shall be made by way of issuing new Notes that qualify as Additional Tier 1 Capital to the relevant Noteholders. Any such new note issuance shall specify the relevant details of the manner in which such new note issuance shall take effect and where the Noteholders can obtain copies of the new terms and conditions of the new notes. Such new notes shall be issued without any cost or charge to the Noteholders and shall be made in accordance with the rules of the CSD.

Use of Proceeds...................... The proceeds from the issue of the Notes shall be used towards general corporate purposes of the Issuer.

Call Option

Early redemption at the option of the Issuer .... Subject to Clause 3.4 and Clause 12.8 (Consent from the IFSA) and giving notice in accordance with Clause 12.9 (Notice of Early Redemption, Substitution or Variation), the Issuer may redeem all (but not only some) of the Notes on:

(a) any Business Day falling within the Initial Call Period; or

(b) any Interest Payment Date falling after the Initial Call Period;

in each case, at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest thereon.

Early Redemption due to a Clean-Up Event......................... If a Clean-Up Event has occurred and subject to Clause 12.8 (C*onsent from the IFSA*), and giving notice in accordance with Clause 12.9 (*Notice of Early Redemption, Substitution or Variation*), the Issuer may redeem all (but not only some) of the Notes on any Interest Payment Date at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest thereon.

"**Clean-Up Event**" means a situation where, at any time, seventy-five (75) per cent. or more of the aggregate Nominal Amount (determined, solely for these purposes, as though all outstanding Notes remain at their initial Nominal Amount) of the Notes have been purchased by the Issuer or any of its Subsidiaries and cancelled pursuant to these Terms and Conditions.

Redemption or purchase prior to fifth anniversary…………………

Subject to Clause 3.4 and Clause 12.8 (*Consent from the IFSA*) and giving notice in accordance with Clause 12.9 (*Notice of Early Redemption, Substitution or Variation*), the Issuer may redeem all (but not only some) of the Notes or may purchase any Notes outstanding at any time prior to the fifth anniversary of the Issue Date, provided that:

(a) the Issuer has, before or at the same time as such redemption or repurchase, replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the IFSA has permitted such action on the basis that it is beneficial from a prudential point of view and justified by exceptional circumstances; or

(b) in the case of a purchase only, if the Notes are being repurchased solely for market-making purposes in accordance with Applicable Capital Regulations.

Call option.................................

Subject to Clause 3.4 and Clause 12.8 *(Consent from the IFSA)* of the Term and Conditions and giving notice in accordance with Clause 12.9 (*Notice of Early Redemption, Substitution or Variation*), if a Capital Disqualification Event, a Tax Event or an Alignment Event has occurred, the Issuer may:

(a) in the case of a Capital Disqualification Event (as defined below) or a Tax Event, redeem all, but not some only, of the outstanding Notes on any Interest Payment Date at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest thereon to (but excluding) the date fixed for redemption; or

(b) substitute or vary the terms of all (but not some only) of the outstanding Notes without any requirement for the consent or approval of the Noteholders, subject to them becoming or remaining, as applicable, Qualifying Capital Notes provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem, substitute or vary the terms of the Notes in accordance with this Clause 12.6 in relation to the Qualifying Capital Notes so substituted or varied.

Capital Disqualification Event ………………………..

The occurrence of, at any time on or after the Issue Date, a change (which has occurred or which the IFSA considers to be sufficiently certain) in the regulatory classification of the Notes that results or would be likely to result in the exclusion, wholly or partially, of Notes from the Additional Tier 1 Capital of the Issuer and/or the Issuer Consolidated Situation or the reclassification, wholly or partially, of the Notes as a lower quality form of regulatory capital, provided that:

(a) the Issuer demonstrates to the satisfaction of the IFSA that such change was not reasonably foreseeable at the Issue Date; and

(b) such exclusion or reclassification is not a result of any applicable limitation on the amount of such Additional Tier

1 Capital contained in the Applicable Capital Regulations.

Tax Event....................................	The occurrence of or as a result of any change in, or amendment to, the laws or regulations of Sweden, 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, resulting in that the Issuer is, or becomes, subject to a significant amount of additional taxes, duties or other governmental charges or civil liabilities with respect to the Notes, provided that the Issuer satisfies the IFSA that such change in tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date.
Miscellaneous	
Transfer restrictions...................	The Notes are freely transferable. Notwithstanding the foregoing, the Noteholders may be subject to purchase or transfer restrictions with regard to the Notes under local laws to which a Noteholder may be subject. The Notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction.
Admission to trading..................	Application for admission to trading of the Notes on the corporate bond list of Nasdaq Stockholm will be filed in connection with the SFSA's approval ofthis Prospectus. The earliest date for admitting the Notes to trading on Nasdaq Stockholm is on or about 7 January 2026. The total expenses of the admission to trading of the Notes are estimated to amount to approximately SEK 150,000.
Rating……………………….	The Notes have not been assigned any credit rating.
Agent..	CSC (Sweden) AB, reg. no. 556625-5476, Sveavägen 9, 10th floor SE-111 57 Stockholm, Sweden, is acting as Agent for the Noteholders in relation to the Notes, and if relevant, any other matter within its authority or duty in accordance with the Terms and Conditions. An Agency Agreement was entered into between the Agent and the Issuer prior to the Issue Date regarding, among others, the remuneration payable to the Agent. The Agent Agreement is available at the Agent's office address (Sveavägen 9, 10th floor SE-111 57 Stockholm, Sweden). The rights and obligations of the Agent are set forth in the Terms and Conditions. The Terms and Conditions are available at the Agent's office address, Sveavägen 9, 10th floor SE-111 57 Stockholm, Sweden, during normal business hours as well as at the Agent's website, https://www.cscglobal.com/service/about/csc-office-locations/sweden/.

Clearing and settlement.............	The Notes are connected to the account-based system of Verdipapirsentralen ASA, Norwegian reg. no. 985 140 421, Postboks 1174 Sentrum, 0107, Oslo, Norway. This means that the Notes are registered on behalf of the Noteholders on their respective Securities Accounts. No physical Notes have been or will be issued. Payment of principal, interest and, if applicable, withholding tax will be made through Verdipapirsentralen ASA's book-entrysystem.
Governing law of the Notes........	Swedish law, save that Section 2 of the Terms and Conditions insofar relating to the subordination of the Notes, Section 3 of the Terms and Conditions insofar relating to the Solvency Condition and Section 15 of the Terms and Conditions insofar relating to set-off, shall be governed by, and construed in accordance with, the laws of Iceland.
Time-bar…………………..	The right to receive repayment of the principal of the Notes shall be time-barred and become void ten (10) years from the relevant Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be time-barred and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been time-barred and has become void.
Risk factors................................	Investing in the Notes involves substantial risks and prospective investors should refer to section "*Risk Factors*" for a discussion of certain factors that they should carefully consider before deciding to invest in the Notes.

THE GROUP AND ITS OPERATIONS

General information about Íslandsbanki

The Issuer

Under its Articles of Association, the Issuer's registered share capital amounts to ISK 9,402,353,850 and the number of shares 1,880,470,770. The shares are denominated in ISK and have a quota value of ISK 5.0. The Issuer has only one class of shares.

The Issuer's legal and commercial name is Íslandsbanki hf. The Issuer is a public limited company incorporated in Iceland on 14 October 2008. It is registered with the Register of Enterprises (*Fyrirtækjaskrá Skattsins*) in Iceland and bears the registration number 491008-0160 and Legal Entity Identifier Code 549300PZMFIQR79Q0T97. The registered office of the Issuer is at Hagasmári 3, 201 Kópavogur, Iceland, and its telephone number is +354 440 4000.

The Issuer's website is www.islandsbanki.is. The information on the website is not a part of this Prospectus, unless that information is incorporated by reference into this Prospectus.

History and development of the Issuer

The Issuer traces its roots back to 1904 when the original Íslandsbanki hf. was founded as the first privately-owned bank in Iceland. Útvegsbanki Íslands took over Íslandsbanki's operations in 1930 and in 1990 Útvegsbanki Íslands, Alþýðubanki Íslands, Iðnaðarbanki Íslands and Verslunarbanki Íslands merged into Íslandsbanki hf. In 2000, Íslandsbanki hf. merged with The Icelandic Investment Bank (FBA), which itself was created through the merger of three state-owned credit funds, forming Íslandsbanki-FBA hf. As a result of the merger, the bank further solidified its connections with the corporate sector, particularly in the seafood industry. In the years 2000 to 2007, the bank expanded its business beyond Iceland by first lending to seafood enterprises in northern Europe and North America, and later through strategic acquisitions in the Nordic countries. In March 2006, the bank was rebranded as Glitnir banki hf. (all the aforementioned banks collectively referred to as Glitnir).

Following the collapse of the Icelandic banking system in October 2008, by decree of the Act on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc. No. 125/2008, the Issuer assumed the domestic assets and liabilities of Glitnir while the remainder of Glitnir's assets, which were mostly foreign assets, were left within Glitnir under the supervision of a Resolution Committee (Resolution Committee) which was appointed to maximise the recovery value of those assets for the benefit of its creditors. The Issuer, initially named New Glitnir Banki hf., reverted back to its previous brand name of Íslandsbanki hf. on 20 February 2009.

On 13 September 2009, Glitnir, on behalf of its creditors, and the Icelandic government reached an agreement on the settlement of assets and liabilities between the Issuer and Glitnir. Under the agreement the Resolution Committee acquired a 95 per cent. stake in the Issuer. Glitnir therefore assumed majority control of the Issuer and a new board of directors of the Issuer (the Board of Directors) was appointed on 25 January 2010. The 95 per cent. stake was owned by ISB Holding ehf., a holding company wholly owned by GLB Holding ehf., a subsidiary of Glitnir. In January 2016, Glitnir signed an agreement to deliver the 95 per cent. stake to the Icelandic government as part of the estate's stability contribution. The change was approved by the Competition Authority on 11 March 2016.

In June 2011 the Issuer announced that it had successfully won a public bid for the entire share capital of Byr hf., a local bank in Iceland. Byr hf. focused mainly on retail banking and was built on the foundation of an older savings bank which became insolvent in April 2010. The shares were acquired from the Byr hf.'s savings bank winding up committee and the Icelandic government. The acquisition price was ISK 6.6 billion. The acquisition agreement was executed on 29 November 2011 and the acquisition was completed in the first quarter of 2012. In March 2011, the Issuer acquired all shares of the credit card company, Kreditkort hf. and on 27 March 2012 Kreditkort hf. was merged into the Issuer.

Between 2017 and 2019, the Issuer underwent a digital transformation. In 2018, the Board approved an open banking strategy and the Issuer successfully replaced its core banking system, including an effective migration of an old legacy system to a global standardised core banking system for payments and deposits.

In 2021, the Issuer's shares were admitted to trading on the Nasdaq Main Market in Iceland.

Main activities of the Issuer

The Issuer is an Icelandic bank headquartered in Iceland. Its primary market is Iceland. The Issuer is licensed as a commercial bank in Iceland in accordance with Art. 4(1) of the Icelandic Act on Financial Undertakings and offers comprehensive services to the retail and corporate sectors. The Issuer is one of Iceland's three main banks and is active across the spectrum of banking services in the country. The Issuer seeks to move Iceland forward by empowering its customers to succeed and prioritise sustainability as an integral driver of strategy and value creation.

The Issuer operates 12 branches, half of which are based around the Reykjavík metropolitan area. It also maintains a presence in larger municipalities across Iceland. The Issuer's business lines are as Personal Banking, Business Banking and Corporate & Investment Banking, which are supported by internal Support Divisions.

Personal Banking

Personal Banking offers a full range of financial services for individuals and households, such as lending, savings and payments, with a particular focus on digital and self-service solutions. The Issuer's customers are increasingly taking care of their day-to-day banking via digital solutions, such as mobile apps, online banking and the secure web chat. Customers can also visit the Issuer's efficient branch network for comprehensive consultancy services or contact the contact centre.

Business Banking

Business Banking provides comprehensive banking services and versatile banking products to SMEs, such as lending, savings products and payment solutions offered through business banking centres in Kópavogur and Akureyri, including 10 strategically located branches around Iceland and via online banking and mobile apps. Additionally, the Issuer provides asset-based financing services through its separate brand, Ergo. The Business Banking contact centre is operated from Norðurturn, the headquarter branch.

Corporate & Investment Banking

Corporate & Investment Banking provides services to large companies, municipalities, institutional investors and high net worth individuals. The product and services offering is a comprehensive range of financial and investment banking services, including lending, securities and currency brokerage, corporate advisory services, private banking services and sales of hedging instruments. The division is focused on building and maintaining relationships across all industry divisions within Iceland. Outside of Iceland, the division has a special focus on the North Atlantic seafood industry, leveraging its expertise in the domestic market and global contacts.

Support Divisions

Finance

The Finance division includes finance and accounting operations as well as treasury and financial institutions, back-office functions and investor relations. This division also manages and oversees shareholding in the Issuer's subsidiaries.

Risk Management

The Issuer has an independent risk management function, Risk Management, headed by the Chief Risk Officer. Risk Management is responsible for ensuring efficient implementation of the Issuer's risk strategy and policies, for verifying that the Issuer has efficient risk management processes in place and that each key risk that the Issuer faces is identified and properly managed by the relevant function.

Digital and Data

The Digital and Data division is responsible for the Issuer's IT platform and systems and software development, including internet banking, websites, and its hardware, such as data centres, telephone systems, ATMs and personal computers.

Compliance

The Compliance division has an independent position within the Issuer's organisational structure. The Compliance division's function is to assist in managing compliance risk on a consolidated basis. Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Issuer may suffer because of its failure to comply with applicable laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct. The Compliance division, in cooperation with Group Internal Audit, performs a special fit and proper test by gathering information via questionnaires and examinations to management and key employees.

Group Internal Audit

Group Internal Audit is an independent function headed by the Chief Audit Executive and is responsible for assessing whether the Group's risk management, internal control framework (including internal policies) and governance processes are effective and efficient and whether they comply with the relevant legal and regulatory requirements. Group Internal Audit is not responsible for internal control or its implementation but provides the Group with independent, objective assurance and consulting services designed to add value and improve the Group's operations. The work of Group Internal Audit is performed in accordance with a risk-based audit plan approved by the Board's Audit Committee. Group Internal Audit is furthermore responsible for internal investigations on suspected fraudulent activities. Group Internal Audit reports directly to the Board on its findings and suggestions for material improvements to the risk management, controls and governance processes. All audit recommendations are subject to a formal follow-up procedure by the appropriate levels of management to ensure and report their resolution.

The Chief Audit Executive is appointed by the Board and reports directly to the Board. Group Internal Audit operates independently from other departments in accordance with Article 16 of the Act on Financial Undertakings. The responsibilities and authorisations of the Chief Audit Executive and Group Internal Audit are further outlined in the Group Internal Audit Charter.

Legal structure of the Group

The Issuer is the parent company of the Group. The table below lists the Issuer and its significant subsidiaries as of the date of the Prospectus.

Company	Corporate registration number	Country of registration	Shares and votes (%)
Íslandsbanki hf.	491008-0160	Iceland	Parent company
Íslandssjóðir hf.	690694-2719	Iceland	100%
Allianz Ísland hf.	580991-1069	Iceland	100%

Major shareholders

The Issuer's shares are listed and publicly traded on Nasdaq Iceland. As of 31 December 2024, the Icelandic state, through the Icelandic State Financial Investments (ISFI), held 42.5 per cent. of the Issuer's share capital. On 13 May 2025, The Ministry of Finance and Economic Affairs, on behalf of the Treasury of Iceland, announced a fully marketed offering to the public of all its shares in Íslandsbanki hf. Following completion of the offering, the Icelandic state is no longer a shareholder in the Issuer and the Issuer is not aware of any individual shareholder or group of connected shareholders who directly or indirectly control the Issuer.

In the table below, all shareholders holding five percent or more of the shares and votes in the Issuer is presented.

Shareholder	Number of shares and votes	Percentage of shares and votes	Verified
LSR Pension Fund	158,080,425	8.41%	2025-12-03
Gildi Pension Fund	141,920,244	7.55%	2025-11-28
Live Pension Fund	122,863,258	6.53%	2025-11-28
Capital Group	100,744,765	5.36%	2025-11-28
Íslandsbanki hf.	96,473,195	5.13%	2025-12-16

Relevant legislation

Íslandsbanki is a financial company and operates in accordance with relevant regulations in the field of financial markets, which frame its governance. The main laws that apply to the Issuer's operations are the Act on Financial Undertakings no. 161/2002 ("**Act on Financial Undertakings**"), the Act on Recovery and Resolution of Credit Institutions and Investment Firms no. 70/2020 ("**Resolution Act**"), the Act on Markets for Financial Instruments no. 115/2021, the Act on Payment Services no. 120/2011, the Act on Measures against Money Laundering and the Financing of Terrorist Activities no. 140/2018, the Act on Mortgage Credit to Consumers no. 118/2016, the Act on Consumer Credit no. 33/2013, the Act on Competition no. 44/2005 and the Act on Public Limited Companies no. 2/1995, which along with the Íslandsbanki's Articles of Association lay the foundation for the Issuer's existence and activities. The Issuer is authorised to provide all financial services stipulated in the Financial Undertakings Act. Its activities are under the supervision of the Icelandic FSA.

The Issuer's capital management framework is based on CRD IV, which is an EU legislative package consisting of Directive 2013/36/EU of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time and Regulation 575/2013/EU ("**CRR**"). The enactment of the CRD IV Directive has been implemented into Icelandic law and has involved numerous amendments of the Act of Financial Undertakings.

The CRR was enacted into Icelandic law by the entry into force of Regulation No. 233/2017 on 6 March 2017, although Articles 500 and 501 of CRR, the latter one stipulating capital requirements deduction for credit risk on exposures to SMEs, came into effect on 1 January 2020 following the incorporation of CRR into the EEA Agreement.

On 11 May 2021, the Parliament enacted an amendment to the Act on Financial Undertakings. The most notable amendments enable the Minister to implement Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 ("**CRR II**") and EU Regulation 2019/630 amending CRR. Moreover, the amendments enabled the Central Bank of Iceland to implement related secondary EU legislation based on technical standards, which have already been incorporated into the EEA Agreement. Those amendments entered into force on 28 June 2021.

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force. The purpose of the BRRD is to equip the relevant regulatory authorities with a range of powers so that they may intervene in an ailing or distressed entity so as to ensure its continuity and minimise any potential impact on the economy and financial system.

BRRD has been implemented into Icelandic law by means of a combination of legislative acts. First, the passage of Act No. 54/2018, amending the Act on Financial Undertakings, implemented the BRRD provisions focusing on recovery plans and timely intervention to prevent an economic shock to financial institutions operating in Iceland.

Second, the enactment of the Resolution Act further amended the Act on Financial Undertakings and implemented the parts of the BRRD that provide for the resolution process, from preventive measures and preparation, to decision-making and the implementation of each resolution. Under the Recovery and Resolution Act, the Central Bank of Iceland possesses powers of resolution and can take action and prepare and execute resolution procedures on behalf of credit institutions and investment firms.

On 4 May 2021, the Parliament passed a bill that implements Directive 2017/2399/EU with regard to the position of unsecured debt instruments in the insolvency hierarchy and amends the Recovery and Resolution Act accordingly. The Act further implemented conformation amendments to the Act on Financial Undertakings and the Deposit Insurance Act.

In addition, following the publication on 7 June 2019 in the Official Journal of the EU of (i) the Directive (EU) 2019/879 of the European Parliament and of the Council dated 20 May 2019 amending the BRRD (the "**BRRD II**") as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC and (ii) the Regulation (EU) 2019/877, of the European Parliament and of the Council dated 20 May 2019, amending the Single Resolution Mechanism Regulation, as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, a comprehensive legislative package has been produced which intends to reduce risks in the banking sector and the financial system, reinforce the ability of banks to withstand potential shocks and strengthen the banking union from 28 December 2020. On 28 June 2022, the Parliament passed a bill, amending the Act on Financial Undertakings implementing the remaining features of CRD IV, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU ("**CRD V**") and CRR II into Icelandic legislation. Moreover, the bill implemented some provisions of the BRRD II in order to enable full implementation of the CRR II. BRRD II was incorporated into the EEA Agreement by EEA Joint Committee Decision No 145/2022 and implemented into Icelandic law with Act No. 63/2023, amending the Resolution Act. However, some technical provisions of the BRRD II were not brought into effect with Act No. 63/2023. On 13 June 2024, Regulation on the Minimum Requirements for Own Funds and Eligible Liabilities No. 700/2024 was published in the Official Journal of Iceland. With the entry into force, the implementation of the BRRD II has been finalised in Iceland

In addition to laws and official regulations, the Issuer has a number of internal governing documents that govern the day-to-day management of the Issuer. These are adopted by the board of directors or the CEO and include, *inter alia*, rules of procedures for the board of directors, instructions for the CEO, complaints management policy, remuneration policy and governance and risk-related policies.

Material adverse changes, significant changes and recent events particular to the Issuer

There has been no material adverse change in the prospects of the Issuer since 31 December 2024, being the date of the latest audited financial information of the Group.

There has been no significant change in the financial performance or financial position of the Group since 30 September 2025, being the end of the last financial period for which financial information has been published to the date of the Prospectus.

On 6 October 2025, the Issuer announced that its Board of Directors and the Board of Directors of Skagi hf.

(Skagi) had approved the initiation of formal merger discussions between the two companies, and that a head of terms to that effect had been signed by both parties. According to the term sheet, Skagi's operations will be merged into the Issuer, and Skagi's shareholders will receive a total of 323,859,440 new shares of the Issuer in exchange for their shares in Skagi, which corresponds to around 15% of the issued share capital in the merged entity. The CEO of the merged entity will be Jón Guðni Ómarsson, CEO of the Bank. The combination of the two companies would be subject to the approval of the relevant supervisory authorities and shareholders of both companies.

On 13 May 2025, The Ministry of Finance and Economic Affairs, on behalf of the Treasury of Iceland, announced a fully marketed offering to the public of all its shares in Íslandsbanki hf. Following completion of the offering, the Icelandic state is no longer a shareholder in the Issuer.

On 17 November 2025, the Issuer announced an invitation to holders of its outstanding SEK 750,000,000 Floating Rate Perpetual Temporary Write Down Additional Tier 1 Notes with ISIN: XS2390396427), to tender any and all of their notes for purchase by the Issuer for cash. The Issuer received valid tenders of SEK 362,000,000 which were all accepted and settlement of the offer occurred on 25 November 2025.

On 9 December 2025, the Issuer announced that it had received a demand from shareholders who collectively hold more than 1/20 of shares in the Issuer requesting a shareholder meeting be convened where an election for the Board of Directors would be on the agenda. The demand was submitted with reference to Article 85 of Act No. 2/1995 on public limited companies and Íslandsbanki's articles of association. Consequently, the Issuer called, on 22 December 2025, for an extraordinary general meeting to be held on 19 January 2026.

Current disputes

Except as set out below, no member of the Group is currently, and has not within the last twelve months been, subject to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatening so far as the Issuer is aware) which may have, or have in such period had, a significant adverse effect on the Issuer's or the Group's financial position or profitability.

Borgun hf. Landsbankinn

Borgun hf. (currently Teya Iceland hf.), a former subsidiary of Íslandsbanki, was involved in a legal dispute with Landsbankinn hf. regarding the sale of shares in Borgun hf. The matter concerned a claim from Landsbankinn based on lack of information in Borgun's financial statements, that allegedly affected the value of Borgun during the sale of Landsbankinn's shares in Borgun. The District Court of Reykjavík rejected Landsbankinn's claims, a decision upheld by the Court of Appeal. The Supreme Court denied Landsbankinn's request for an appeal on 13 May 2025, thereby making the judgement of the Court of Appeal final. Therefore, this matter is concluded.

The Consumers' Association of Iceland

In December 2021 three customers, sponsored by the Consumers' Association of Iceland, commenced litigation against the Issuer, demanding that certain provisions of their residential mortgages, governing variable interest rates, be deemed illegal and unenforceable and demand the repayment of any overpaid interest.

Firstly, two of the cases were brought by customers owing CPI-linked mortgages that contain a certain interest resetting provision that the Supreme Court found in its ruling on case no. 623/2016 could not be used by the Issuer to reset interest rates. Following that judgement, the Issuer repaid its customers any interest that the Issuer had charged in excess of the originally agreed interest rate and returned the affected loans to their original interest rates. In the suits now filed the customers maintain that instead of the originally agreed interest rates, their loans should incur interest rates pursuant to article 4 of Act no. 38/2001 on Interest and Price Indexation. An unfavourable finding by the courts may have an influence on the Issuer's portfolio of loans and fully paid loans that contained the resetting provision, disputed in case no. 623/2016. The Issuer estimates that the financial impact of an unfavourable ruling in an adverse scenario could amount to around ISK 1.3 billion. One of these cases concluded with a final judgment by the Court of Appeal on 13 February 2025, where all claims against the Issuer were rejected. The plaintiff in the other case has paused further proceedings, awaiting the Supreme Court's ruling in a case brought against another bank. The Issuer believes that the claims of the plaintiff are unfounded and has not recognised a provision in relation to this matter.

Secondly, a case was brought against the Issuer by customers owing a non-index linked mortgage bearing variable interest rates. The plaintiff maintained that the terms governing the variable interest rates were invalid and could not be used by the Issuer as basis for setting interest rates, and that therefore the originally agreed interest rate should remain fixed during the term of the loan. During the proceedings, the District Court decided to seek an advisory opinion from the EFTA Court. On 12 November 2024, the District Court of Reykjanes rendered a judgement in the case where all claims made by the plaintiffs against the Issuer were rejected. The judgement was appealed directly to the Supreme Court, which gave its ruling on 14 October 2025 (case no. 55/2024). The Supreme Court partially invalidated the loan agreement terms concerning changes to the borrowing rate, insofar as it referred to factors other than the Central Bank of Iceland's policy rate. However, the Supreme Court rejected the plaintiffs' claims for the loan to bear fixed interest rates as well as rejecting all monetary claims, noting that the interest rate increases on their loan were less than the increases in the Central Bank's policy rates during the disputed period.

The Supreme Court's decision to reject the plaintiffs' claim for fixed interest rates substantially reduces the previously estimated maximum financial impact of ISK 21 billion on the Issuer's loan portfolio of non-index linked mortgages bearing variable interest rates. The ruling clarifies that the Issuer's discretion to increase interest rates under these terms is restricted. Although the judgement does not provide precise guidance on what consequences the judgement has for individual loans or the Issuer's interest rate adjustments, the Issuer has decided to recognise a provision amounting to ISK 550 million relating to potential claims from customers.

Although the Supreme Court ruling concerns a non-index linked mortgage, it cannot be ruled out that the judgement or other pending judgements in cases regarding interest rate interpretation towards other lenders, may set a precedent regarding the interpretation of CPI-linked mortgages and other consumer loans. At this stage, it is difficult to reliably assess the probability or the potential financial impact of an unfavourable outcome with respect to CPI-linked consumer loans. The Issuer's best estimate, at this point in time, is that the potential impact of unfavourable court rulings affecting the Issuer's CPI-linked home mortgages could be in the range of ISK 2-5 billion before tax, by applying the lowest market interest rates published by the Central Bank of Iceland and assuming a four-year statute of limitation. The Issuer has not recognised a provision in relation to the matter.

105 Miðborg slhf. - ÍAV hf.

In February 2021, the alternative investor fund 105 Miðborg slhf., operated by Íslandssjóðir hf. (Iceland Funds hf.), a wholly owned subsidiary of the Issuer, terminated its contractor agreement with ÍAV hf., a contractor that had been retained for a real estate project at Kirkjusandur in the centre of Reykjavík. The main reason for the termination was the alleged non-performance and delays in the construction of one building on the premises. The contractor, ÍAV, has claimed approximately ISK 3,829 million in damages plus late payment interest and legal costs from 105 Miðborg and Iceland Funds for the alleged unlawful termination. The suit was filed on 11 May 2021 at the District Court of Reykjavík. Additionally, 105 Miðborg has filed a case against ÍAV claiming approximately ISK 3,878 million in damages plus late payment interest and legal cost due to alleged delays and significant breaches of contract. The Group owns a 8.25 per cent. stake in 105 Miðborg. The Group has not recognised a provision in respect of this matter.

EC Clear ehf.

In August 2021, EC Clear ehf., a former owner of a payment processing company, filed a suit jointly against the Issuer and four other financial institutions claiming damages in the amount of ISK 923 million plus interest from June 2013, resulting from a breach of competition law that allegedly took place during the period from 2003 to 2013. This was the sixth time the case had been brought before the courts for this purpose, after previous cases had been dismissed. On 30 September 2022, the District Court of Reykjavík dismissed the case. On 10 January 2023, the Court of Appeal partly reversed the dismissal and ordered the District Court to hear the case in substance. The hearing of the case has not been decided. The Group has not recognised a provision in relation to this matter.

Material agreements

The Issuer has not concluded any material agreement outside of its ordinary course of business which may materially affect the Issuer’s ability to fulfil its obligations under issued Notes.

Credit rating

As of the date of this Prospectus, the Issuer has been assigned credit ratings by the rating agencies S&P and Moody’s. The rating Moody’s has given in relation to the Issuer is endorsed by Moody’s Deutschland GmbH. S&P and Moody’s Deutschland GmbH are registered in the EU in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. S&P rates the Issuer BBB+ (long term debt) and A-2 (short term debt) with positive outlook. Moody's rates the Issuer A3 (long term debt) with stable outlook.

Shareholders’ Agreements

As far as the Issuer is aware, there are no shareholders’ agreements or other agreements which could result in a change of control of the Issuer.

Board of directors

The board of directors of the Issuer consists of seven non-executive directors, and two alternates, all of whom are elected by the Annual General Meeting for a term up until the next Annual General Meeting. The table below sets out the name and current position of each board member.

Name	**Position**	**Appointed**
Linda Jónsdóttir[1]	Chair	2023
Stefán Pétursson	Vice-chairman	2023
Agnar Tómas Möller	Member	2023
Haukur Örn Birgisson	Member	2023
Helga Hlín Hákonardóttir	Member	2023
Stefán Sigurðsson	Member	2024
Valgerður Hrund Skúladóttir	Member	2024
Herdís Gunnarsdóttir	Alternate	2016
Páll Grétar Steingrímsson	Alternate	2022

Linda Jónsdóttir

Chair of the Board since July 2023. Member of the Board Audit Committee.

Other relevant ongoing assignments outside the Group: CFO of Alvotech and board member of University of Iceland Science Park.

Stefán Pétursson
Vice-chairman of the Board since July 2023. Member of the Board Risk Management Committee and Chairman of the Board Audit Committee.
Other relevant ongoing assignments outside the Group: CFO of EpiEndo Pharmaceuticals ehf.

Agnar Tómas Möller
Board member since March 2023. Member of the Board Risk Management Committee.
Other relevant ongoing assignments outside the Group: Managing Director and Board member of ATM ehf.

Haukur Örn Birgisson
Board member since July 2023. Member of the Board Innovation and Technology Committee and Chairman of the Board Corporate Governance and Human Resource Committee.
Other relevant ongoing assignments outside the Group: Managing Director of FIRMA Legal.

Helga Hlín Hákonardóttir
Board member since July 2023. Member of the Board Corporate Governance and Human Resource Committee and Chairman of the Board Risk Management Committee.
Other relevant ongoing assignments outside the Group: Partner and consultant at Strategía. Board member of Rue de Net and AP þrif.

Stefán Sigurðsson
Board member since March 2024. Member of the Board Innovation and Technology Committee and the Board Corporate Governance and Human Resource Committee.
Other relevant ongoing assignments outside the Group: Managing Director, board member and owner of Nordic Development ehf. Board member of Fólk Reykjavík ehf. and Isavia ANS ehf.

Valgerður Hrund Skúladóttir

Board member since March 2024. Member of the Board Risk Management Committee and Chairman of the Board Innovation and Technology Committee.

Other relevant ongoing assignments outside the Group: Board member of Memento and Startup Orb, as well as alternate of Business Iceland.

Herdís Gunnarsdóttir

Alternate board member since March 2016. Member of the Corporate Governance and Human Resource Committee.

Other relevant ongoing assignments outside the Group: CEO of the Quality and Supervisory Agency of Welfare.

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[1] On 8 December 2025, Linda Jónsdóttir announced that she will not seek re-election to the Board of Directors of Íslandsbanki at the next annual general meeting, scheduled to be held on 19 March 2026.

Páll Grétar Steingrímsson

Alternate board member since March 2022. External member of the Board Audit Committee.

Other relevant ongoing assignments outside the Group: Director at Skrifstofuþjónusta Austurlands ehf.

CEO and the Executive Committee

Name	Position
Jón Guðni Ómarsson	Chief Executive Officer
Ellert Hlöðversson	Chief Financial Officer
Barbara Inga Albertsdóttir	Chief Compliance Officer
Guðmundur Kristinn Birgisson	Chief Risk Officer
Kristín Hrönn Guðmundsdóttir	Managing Director of Corporate and Investment Banking
Ólöf Jónsdóttir	Managing Director of Personal Banking
Una Steinsdóttir	Managing Director of Business Banking

Jón Guðni Ómarsson
Chief Executive Officer since June 2023.
Other relevant ongoing assignments outside the Group: None.

Ellert Hlöðversson
Chief Financial Officer from January 2024.
Other relevant ongoing assignments outside the Group: None.

Barbara Inga Albertsdóttir
Chief Compliance Officer since November 2023.
Other relevant ongoing assignments outside the Group: None.

Guðmundur Kristinn Birgisson
Chief Risk Officer since October 2018.
Other relevant ongoing assignments outside the Group: None.

Kristín Hrönn Guðmundsdóttir
Managing Director of Corporate and Investment Banking since July 2023.
Other relevant ongoing assignments outside the Group: None.

Ólöf Jónsdóttir
Managing Director of Personal Banking since February 2024.
Other relevant ongoing assignments outside the Group: None.

Una Steinsdóttir
Managing Director of Business Banking since May 2017.
Other relevant ongoing assignments outside the Group: None.

Additional information on the board and the Executive Committee

Business address

The office address of the board of directors and the Executive Committee is the registered office of the Issuer.

Conflicts of interest

As far as the Issuer is aware, there are no conflicts of interest, or potential conflicts of interest, between the duties of the members of the board of directors and the Executive Committee toward Íslandsbanki and their private interests and/or other duties. However, several members of the board of directors and the Executive Committee have financial interests in the Issuer as a consequence of their current or future direct or indirect holdings of shares in the Issuer.

Auditors

The consolidated financial statements as of and for the year ended 31 December 2024 were audited by KPMG ehf., Borgartún 27, 105 Reykjavík, Iceland. Hrafnhildur Helgadóttir was the Issuer's auditor on behalf of KPMG ehf. She is a member of the Institute of State Authorized Public Accountants in Iceland. The consolidated financial statements as of and for the year ended 31 December 2023 were audited by Deloitte ehf., Dalvegur 30, 201 Kópavogur, Iceland. Geir Steindórsson was the Issuer's auditor on behalf of Deloitte ehf. He is a member of the Institute of State Authorized Public Accountants in Iceland. Deloitte ehf. was the Issuer's auditor only for the financial year 2023, following its previous auditor Ernst & Young ehf. voluntarily relinquishing its license in December 2023. After a tender procedure, KPMG ehf. was elected as the Issuer's auditor at the annual general meeting 2024.

SUPPLEMENTARY INFORMATION

Incorporation by reference

The following information has been incorporated into this Prospectus by reference and should be read as part of this Prospectus:

The Issuer's annual report for 2023 ***(https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_Consolidated_Financial_Statements_2023.pdf)***	as regards the audited consolidated financial information and the audit report page 14 for consolidated income statement, page 16 for consolidated statement of financial position, page 18 for consolidated statement of cash flows, page 17 for consolidated statement of changes in equity, pages 20-86 for notes and pages 10-13 for the audit report.
The Issuer's annual report for 2024 ***(https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_Consolidated_Financial_Statements_2024.pdf)***	as regards the audited consolidated financial information and the audit report page 14 for consolidated income statement, page 16 for consolidated statement of financial position, page 19-20 for consolidated statement of cash flows, page 17-18 for consolidated statement of changes in equity, pages 21-87 for notes and pages 10-13 for the audit report.

Information in the above documents which is not incorporated by reference is either deemed by the Issuer not to be relevant for investors in the Notes or is covered elsewhere in the Prospectus.

The consolidated financial statements included in the Issuer's annual reports for 2023 and 2024 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Group applies additional requirements in the Icelandic Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions, where applicable.

Documents available

Copies of the following documents can be obtained from the Issuer in paper format upon request during the validity period of this Prospectus at Íslandsbanki's head office, and are also available in electronic format at the Issuer's website https://www.islandsbanki.is/en/landing/about/financials.

- The Issuer's Certificate of Registration and Articles of Association
- The Group's consolidated audited annual report for the financial year ended 31 December 2023, including the applicable audit report
- The Group's consolidated audited annual report for the financial year ended 31 December 2024, including the applicable audit report
- This Prospectus
- The Terms and Conditions for the Notes

Certain material interests

DNB Carnegie Investment Bank AB (publ), Nordea Bank Abp and Swedbank AB (publ) (the "**Joint Lead Managers**") have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Group in the ordinary course of business. Therefore, conflicts of interest may exist or may arise as a result of the Joint Lead Managers having previously engaged, or in the future engaging, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

TERMS AND CONDITIONS

Íslandsbanki hf.

SEK 700,000,000 and NOK 200,000,000 Floating Rate Additional Tier 1 Notes

ISIN: NO0013697466 and NO0013697425

LEI: 549300PZMFIQR79Q0T97

Issue Date: 25 November 2025

SELLING RESTRICTIONS

No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of any document or other material relating to the Issuer or the Notes in any jurisdiction other than Sweden, where action for that purpose is required. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions.

PRIVACY NOTICE

The Issuer, the Agent and the Paying Agent may collect and process personal data relating to the Noteholders, the Noteholders' representatives or agents, and other persons nominated to act on behalf of the Noteholders pursuant to the Finance Documents (name, contact details and, when relevant, holding of Notes). The personal data relating to the Noteholders is primarily collected from the registry kept by the CSD. The personal data relating to other persons is primarily collected directly from such persons.

The personal data collected will be processed by the Issuer, the Agent and the Paying Agent for the following purposes

(a) to exercise their respective rights and fulfil their respective obligations under the Finance Documents;

(b) to manage the administration of the Notes and payments under the Notes;

(c) to enable the Noteholders to exercise their rights under the Finance Documents; and

(d) to comply with their obligations under applicable laws and regulations;

The processing of personal data by the Issuer, the Agent and the Paying Agent in relation to items (a) to (c) is based on their legitimate interest to exercise their respective rights and to fulfil their respective obligations under the Finance Documents. In relation to item (d), the processing is based on the fact that such processing is necessary for compliance with a legal obligation incumbent on the Issuer, the Agent or the Paying Agent. Unless otherwise required or permitted by law, the personal data collected will not be kept longer than necessary given the purpose of the processing.

Personal data collected may be shared with third parties, such as the CSD, when necessary to fulfil the purpose for which such data is processed.

Subject to any legal preconditions, the applicability of which have to be assessed in each individual case, data subjects have the rights as follows. Data subjects have the right to get access to their personal data and may request the same in writing at the address of the Issuer, the Agent and the Paying Agent, respectively. In addition, data subjects have the right to (i) request that personal data is rectified or erased, (ii) object to specific processing, (iii) request that the processing be restricted and (iv) receive personal data provided by themselves in machine-readable format.

Data subjects are also entitled to lodge complaints with the relevant supervisory authority if dissatisfied with the processing carried out.

The Issuer's, the Agent's and the Paying Agent's addresses, and the contact details for their respective Data Protection Officers (if applicable), are found on their websites www.islandsbanki.is, www.cscglobal.com/service/privacy/ and www.nordea.se.

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TERMS AND CONDITIONS

1 DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In these terms and conditions (the "**Terms and Conditions**"):

"**Acceleration Event**" has the meaning ascribed to it in Clause 15 (*Acceleration of the Notes*).

"**Account Operator**" means a bank or other party duly authorised to operate as an account operator (No. *Kontofører)* with Verdipapirsentralen ASA*,* and through which a Noteholder has opened a Securities Account in respect of its Notes.

"**Accounting Principles**" means the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC or Icelandic act no. 3/2006 on annual accounts (or as otherwise adopted or amended from time to time) as applied by the Issuer.

"**Additional Tier 1 Capital**" means additional tier 1 capital as defined in Chapter 3 of Title I of Part Two of the CRR and/or any other Applicable Capital Regulations.

"**Adjusted Nominal Amount**" means the Total Nominal Amount less the Nominal Amount of all Notes owned by a Group Company or an Affiliate, in each case irrespective of whether such Person is directly registered as owner of such Notes.

"**Affiliate**" means, in respect of any Person, any other Person directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"Affiliate" means:

(a) an entity controlling or under common control with the Issuer, other than a Group Company; and/or

(b) any other person or entity owning any Notes (irrespective of whether such person is directly registered as owner of such Notes) that has undertaken towards a Group Company or an entity referred to in paragraph (a) above to vote for such Notes in accordance with the instructions given by a Group Company or an entity referred to in paragraph (a) above.

For the purposes of this definition, "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by agreement or otherwise.

"**Agency Agreement**" means any agency agreement entered into on or prior to the Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the Issue Date between the Issuer and an agent.

"**Agent**" means the Noteholders' agent under these Terms and Conditions from time to time; initially CSC (Sweden) AB, reg. no. 556625-5476.

"**Alignment Event**" means at any time after the Issue Date, a change in the Applicable Capital Regulations which permit instruments of the Issuer with New Terms to be treated as Additional Tier 1 Capital.

"**Applicable Capital Regulations**" means at any time the laws, regulations, directives, requirements, guidelines and policies relating to capital adequacy (including resolution) which from time to time are applicable to the Issuer or the Issuer Consolidated Situation, including, without limiting the generality of the foregoing, the CRD and any delegated act adopted by the European Commission thereunder, as well as the legal acts, regulations, requirements, guidelines, regulatory technical standards and policies relating to capital adequacy as then applied in Iceland by the IFSA and/or any successor (whether or not such requirements, guidelines, regulatory technical standards or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Issuer Consolidated Situation).

"**Base Rate**" means in respect of the SEK Notes, STIBOR, and in respect of the NOK Notes, NIBOR, or any reference rate replacing STIBOR or NIBOR (as applicable) in accordance with Clause 20 (*Replacement of Base Rate*).

"**Base Rate Administrator**" means, in respect of STIBOR, the Swedish Financial Benchmark Facility AB (SFBF), and in respect of NIBOR, Norske Finansielle Referanser AS (NoRe) or any person replacing SFBF or NoRe (as applicable) as administrator of the relevant Base Rate.

"**Business Day**" means a day in Sweden or Iceland other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business.

"**Business Day Convention**" means the first following day that is a CSD Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a CSD Business Day.

"**Capital Disqualification Event**" means, at any time on or after the Issue Date, there is a change (which has occurred or which the IFSA considers to be sufficiently certain) in the regulatory classification of the Notes that results or would be likely to result in the exclusion, wholly or partially, of Notes from the Additional Tier 1 Capital of the Issuer and/or the Issuer Consolidated Situation or the reclassification, wholly or partially, of the Notes as a lower quality form of regulatory capital, provided that:

(a) the Issuer demonstrates to the satisfaction of the IFSA that such change was not reasonably foreseeable at the Issue Date; and

(b) such exclusion or reclassification is not a result of any applicable limitation on the amount of such Additional Tier 1 Capital contained in the Applicable Capital Regulations.

"**CET1 Capital**" means common equity tier 1 capital of the Issuer or the Issuer Consolidated Situation, respectively, as calculated by the Issuer in accordance with Chapter 2 of Title II of Part Two of the CRR and/or any other Applicable Capital Regulations at such time.

"**CET1 Ratio**" means, at any time;

(a) in relation to the Issuer, the ratio (expressed as a percentage) of the aggregate amount of the CET1 Capital of the Issuer at such time divided by the Risk Exposure Amount of the Issuer at such time; and

(b) in relation to the Issuer Consolidated Situation the ratio (expressed as a percentage) of the aggregate amount of the CET1 Capital of the Issuer Consolidated Situation at such time divided by the Risk Exposure Amount of the Issuer Consolidated Situation at such time,

in each case as calculated by the Issuer in accordance with the CRD requirements and any applicable transitional arrangements under the Applicable Capital Regulations.

"**Clean-Up Event**" means a situation where, at any time, seventy-five (75) per cent. or more of the aggregate Nominal Amount (determined, solely for these purposes, as though all outstanding Notes remain at their initial Nominal Amount) of the Notes have been purchased by the Issuer or any of its Subsidiaries and cancelled pursuant to these Terms and Conditions.

"**CRD**" means the legislative package consisting of:

(a) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended by Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019 as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;

(b) the CRR; and

(c) any regulatory capital rules, regulations or other requirements implementing (or promulgated in the context of) the foregoing which may from time to time be introduced, including, but not limited to, delegated or implementing acts or regulations (including technical standards) adopted by the European Commission, national laws and regulations, adopted by the IFSA and guidelines issued by the IFSA, the European Banking Authority (EBA) or any other relevant authority, which are applicable to the Issuer or the Group, as applicable,

in each case as the same may be amended or replaced from time to time.

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as the same may be amended or replaced from time to time, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements.

"**CSD**" means the Issuer's central securities depository and registrar in respect of the Notes, initially Verdipapirsentralen ASA, Norwegian reg. no. 985 140 421, Postboks 1174 Sentrum, 0107, Oslo, Norway, or another party replacing it, as CSD, in accordance with these Terms and Conditions.

"**CSD Business Day**" means a day on which the relevant CSD settlement system is open and the relevant currency's clearing and settlement system is open.

"**CSD Regulations**" means the CSD's rules and regulations applicable to the Issuer, the Agent and the Notes from time to time.

"**Debt Register**" means the debt register kept by the CSD in respect of the Notes in which a Noteholder is registered.

"**Distributable Item**" shall have the meaning given to such term in CRD interpreted and applied in accordance with the Applicable Capital Regulations.

"**Finance Documents**" means the Terms and Conditions and any other document designated to be a Finance Document by the Issuer and the Agent acting on behalf of the Noteholders.

"**Financial Instruments Accounts Act**" means the Swedish Central Securities Depositories and Financial Instruments Accounts Act (Sw. *lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

"**First Call Date**" means the Interest Payment Date falling on or immediately after the fifth (5^{th}) anniversary of the Issue Date, being 25 November 2030.

"**Force Majeure Event**" has the meaning set forth in Clause 27.1.

"**Group**" means the Issuer and its Subsidiaries from time to time.

"**Group Company**" means each of the Issuer and any of its Subsidiaries.

"**IFSA**" means the Financial Supervisory Authority of the Central Bank of Iceland (Icel. *Fjármálaeftirlit Seðlabanka Íslands*) or such other governmental authority in Iceland having primary banking supervisory authority with respect to the Issuer or any relevant resolution authority, if the Issuer becomes subject to primary bank supervision in a jurisdiction other than Iceland, the relevant governmental authority in such other jurisdiction having primary banking supervisory authority with respect to the Issuer.

"**Initial Call Period**" means the period commencing on (and including) the First Call Date and ending on (and including) the Interest Payment Date falling on or immediately after three (3) months from the First Call Date.

"**Insolvent**" means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 6-9 of the Swedish Bankruptcy Act (Sw. *konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors (other than the Noteholders and creditors of secured debt) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (Sw. *lag (2022:964) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

"**Interest**" means the interest on the Notes calculated in accordance with Clauses 10.1 to 10.1.3.

"**Interest Payment Date**" means 25 February, 25 May, 25 August, and 25 November of each year, or, to the extent such day is not a CSD Business Day, the CSD Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Notes shall be 25 February 2026 and the last Interest Payment Date shall be the relevant Redemption Date.

"**Interest Period**" means (i) in respect of the first Interest Period, the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date (or a longer or shorter period if relevant).

"**Interest Rate**" means, in respect of the SEK Notes, the Base Rate *plus* 3.50 per cent. *per annum and, in respect of the NOK Notes, the* Base Rate *plus 3.58 per cent.*, as adjusted by any application of Clause 20 (*Replacement of Base Rate*).

"**Issue Date**" means 25 November.

"**Issuer**" means Íslandsbanki hf., a limited liability financial undertaking established under the laws of the Republic of Iceland with reg. no. 491008-0160.

"**Issuer Consolidated Situation**" means the Issuer and those entities (if any) which from time to time are part of the Issuer's prudential consolidated situation, as such term is used in the Applicable Capital Regulations, from time to time.

"**Manager**" means Nordea Bank Abp, incorporated in Finland with reg. no. 858394-9.

"**Nasdaq Stockholm**" means the Regulated Market of Nasdaq Stockholm AB, reg. no. 556420-8394, SE-105 78 Stockholm, Sweden.

"**NIBOR**" means:

(a) the Norwegian interbank offered rate (NIBOR) administered by the Base Rate Administrator for NOK and for a period equal to the relevant Interest Period, as displayed on the relevant page of the LSEG screen (or through such other system or on such other page as replaces the said system or page) as of or around 12.00 (noon) on the Quotation Day;

(b) if no rate as described in paragraph (a) is available for the relevant Interest Period, the rate determined by the Agent by linear interpolation between the two closest rates for NIBOR fixing (rounded upwards to four decimal places), as displayed on the relevant page of the LSEG screen (or any replacement thereof) as of or around 12.00 (noon) on the Quotation Day for NOK;

(c) if no rate as described in paragraph (a) or (b) is available for the relevant Interest Period, the arithmetic mean of the Norwegian interbank offered rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by leading banks in the Norwegian interbank market reasonably selected by the Agent, for deposits of NOK 100,000,000 for the relevant period; or

(d) if no rate as described in paragraph (a) or (b) is available for the relevant Interest Period and no quotation is available pursuant to paragraph (c), the interest rate which according to the reasonable assessment of the Agent best reflects the interest rate for deposits in NOK offered in the Stockholm interbank market for the relevant period.

"**NOK**" denotes the lawful currency of Norway.

"**NOK Note**" means a debt instrument, denominated in NOK and which is governed by and issued under these Terms and Conditions.

"**New Terms**" means, at any time, any terms and conditions of a capital instrument issued by the Issuer that are different in any respect from the terms and conditions of the Notes at such time.

"**Nominal Amount**" has the meaning set forth in Clause 3.4 (as adjusted by any Write-Down and reinstatement made pursuant to Clause 11 (*Loss Absorption and Discretionary Reinstatement)*).

"**Notes**" or "**Note**" means (i) the SEK Note(s) and the NOK Note(s) and (ii) any overdue and unpaid principal relating to the SEK Note(s) or the NOK Note(s) (as applicable) which has been issued under a separate ISIN in accordance with the CSD Regulations.

“**Note Issue**” has the meaning set forth in Clause 3.5.

“**Noteholder**” means the person who is registered on a Securities Account as direct registered owner (Sw. *direktregistrerad ägare*) or nominee (Sw. *förvaltare*) with respect to a Note.

"**Noteholders' Meeting**" means a meeting among the Noteholders held in accordance with Clauses 18.1 (*Request for a decision*), 18.2 (*Convening of Noteholders' Meeting*) and 18.4 (*Majority, quorum and other provisions*).

“**Paying Agent**” means the paying agent under these Terms and Conditions from time to time; initially Nordea Bank Abp, reg. no. 920 058 817, Essendrops gate 7, N-0368 Oslo, Norway.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.

“**Qualifying Capital Notes**” means securities issued directly by the Issuer following a substitution or variation of the Notes in accordance with Clause 12.6(b) that have terms not materially less favourable to investors, certified by the Issuer acting reasonably (having consulted with an independent investment bank or independent financial adviser of international standing), than the terms of the Notes (immediately prior to the relevant substitution or variation), provided that they:

(a) include a ranking at least equal to that of the Notes;

(b) have at least the same Interest Rate and the same Interest Payment Dates as those applying to the Notes;

(c) have the same redemption rights as the Notes (including the same call dates as the Notes);

(d) preserve any existing rights under the Notes to any accrued interest which has not been paid but which has not been cancelled in respect of the period from (and including) the Interest Payment Date last preceding the date of the relevant substitution or variation of the Notes;

(e) are assigned (or maintain) the same or higher credit ratings as were assigned to the Notes (if any) immediately prior to the relevant substitution or variation of the Notes;

(f) in respect of an Alignment Event only, do not include any higher trigger levels, additional interest cancellation events or additional write-down triggers; and

(g) comply with the then current requirements for Additional Tier 1 Capital contained in the Applicable Capital Regulations.

If the Notes were admitted to trading and listed on a Regulated Market immediately prior to the relevant substitution or variation, the Issuer shall use reasonable efforts to ensure that the relevant Qualifying Capital Notes are admitted to trading and listed on a Regulated Market within thirty (30) days from their issuance (noting that no investor in the relevant Qualifying Capital Notes (or its representative) has the right to accelerate the relevant Qualifying Capital Notes or otherwise request a prepayment or redemption of the relevant Qualifying Capital Notes upon a failure to admit the relevant Qualifying Capital Notes to trading).

"**Quotation Day**" means:

(a) in relation to an Interest Period for which an Interest Rate is to be determined, two (2) CSD Business Days before the immediately preceding Interest Payment Date (or, in respect of the first Interest Period, two (2) CSD Business Days before the Issue Date); or

(b) in relation to any other period for which an Interest Rate is to be determined, two (2) CSD Business Days before the first day of that period.

"**Record Date**" means in relation to any payments pursuant to these Terms and Conditions, the date designated as the Record Date in accordance with the CSD Regulations from time to time.

"**Redemption Date**" means the date on which the relevant Notes are to be redeemed or repurchased in accordance with Clause 12 (*Redemption and repurchase of the Notes*).

"**Reference Banks**" means leading banks in the Stockholm interbank market reasonably selected by the Agent.

"**Regulated Market**" means any regulated market (as defined in Directive 2014/65/EU on markets in financial instruments).

"**Relevant Jurisdiction**" means Iceland or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof having power to tax which the Issuer becomes subject to in respect of payments made by it of principal and/or interest on the Notes.

"**Risk Exposure Amount**" means, at any time, with respect to the Issuer or the Issuer Consolidated Situation (as the case may be), the aggregate amount of the risk weighted assets (or any equivalent or successor term) of the Issuer or the Issuer Consolidated

Situation, respectively, calculated in accordance with the Applicable Capital Regulations at such time. For the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as calculated, in accordance with the Applicable Capital Regulations applicable to the Issuer and the Issuer Consolidated Situation.

"**Securities Account**" means the account for dematerialised securities maintained by the CSD in which (i) an owner of such securities is directly registered or (ii) an owner's holding of securities is registered in the name of a nominee.

"**Security**" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

"**SEK**" means the lawful currency of Sweden.

"**STIBOR**" means:

(a) the Stockholm interbank offered rate (STIBOR) administered by the Base Rate Administrator for SEK and for a period equal to the relevant Interest Period, as published by the Base Rate Administrator for SEK as of or around 11.00 a.m. on the Quotation Day;

(b) if no rate as described in paragraph (a) is available for the relevant Interest Period, the rate determined by the Agent by linear interpolation between the two closest rates for STIBOR fixing (rounded upwards to four decimal places), as published by the Base Rate Administrator as of or around 11.00 a.m. on the Quotation Day for SEK;

(c) if no rate as described in paragraph (a) or (b) is available for the relevant Interest Period, the arithmetic mean of the Stockholm interbank offered rates (rounded upwards to four decimal places) as supplied to the Agent at its request quoted by the Reference Banks for deposits of SEK 100,000,000 for the relevant period; or

(d) if no rate as described in paragraph (a) or (b) is available for the relevant Interest Period and no quotation is available pursuant to paragraph (c), the interest rate which according to the reasonable assessment of the Agent best reflects the interest rate for deposits in SEK offered in the Stockholm interbank market for the relevant period.

"**Subsidiary**" means, in relation to any Person, any Swedish or foreign legal entity (whether incorporated or not), in respect of which such Person, directly or indirectly:

(a) owns shares or ownership rights representing more than fifty (50) per cent. of the total number of votes held by the owners;

(b) otherwise controls more than fifty (50) per cent. of the total number of votes held by the owners;

(c) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body; or

(d) exercises control as determined in accordance with the Accounting Principles.

"**Tax Event**" means, as a result of any change in, or amendment to, the laws or regulations of Sweden, 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, resulting in that the Issuer is, or becomes, subject to a significant amount of additional taxes, duties or other governmental charges or civil liabilities with respect to the Notes, provided that the Issuer satisfies the IFSA that such change in tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date.

"**Tier 2 Capital**" means tier 2 capital as defined in Part Two, Title 1, Chapter 4 of the CRR and/or any other Applicable Capital Regulations.

"**Total Nominal Amount**" means the total aggregate Nominal Amount of the Notes outstanding at the relevant time

"**Trigger Event"** means if, at any time, the CET1 Ratio of the Issuer or the Issuer Consolidated Situation, as calculated in accordance with the Applicable Capital Regulations, is less than 5.125 per cent., in each case as calculated in accordance with the Applicable Capital Regulations and as determined by the Issuer or the IFSA (or any agent appointed for such purpose by the IFSA).

"**Write-Down**" has the meaning set forth in Clause 11.1.1.

"**Written Procedure**" means the written or electronic procedure for decision making among the Noteholders in accordance with Clauses 18.1 (*Request for a decision*), 18.3 (*Instigation of Written Procedure*) and 18.4 (*Majority, quorum and other provisions*).

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

(a) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;

(b) a time of day is a reference to Stockholm time;

(c) a "**regulation**" includes any law, regulation, rule or official directive (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency or department; and

(d) a provision of regulation is a reference to that provision as amended or re-enacted.

1.2.2 When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken on a specific day, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published by the Swedish Central Bank (Sw. Riksbanken) on its website (www.riksbank.se). If no such rate is available, the most recently published rate shall be used instead.

1.2.3 A notice shall be deemed to be sent by way of press release if it is made available to the public promptly and in a non-discriminatory manner.

1.2.4 No delay or omission of the Agent or of any Noteholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

1.2.5 The selling and distribution restrictions, the privacy notice and any other information contained in this document before the table of contents section do not form part of these Terms and Conditions and may be updated without the consent of the Noteholders and the Agent.

2 STATUS AND RANKING OF THE NOTES

2.1 The Notes are intended to constitute Additional Tier 1 Capital of the Issuer and the Issuer Consolidated Situation. The Notes will constitute direct, unsecured and subordinated debt liabilities of the Issuer and shall, as regards the right to receive periodic payments (to the extent not cancelled) or repayment of capital for Noteholders in the event of the insolvency, winding up or resolution process of the Issuer, rank:

(a) *pari passu* without any preference among themselves;

(b) *pari passu* with (i) any present or future liabilities or capital instruments of the Issuer which constitute Additional Tier 1 Capital of the Issuer and the Issuer Consolidated Situation and (ii) any other liabilities or capital instruments of the Issuer that rank or are expressed to rank *pari passu* with the Notes;

(c) senior to holders of all classes of the Issuer's shares in their capacity as such holders; and

(d) junior to any present and future claims of (i) depositors of the Issuer, (ii) any other unsubordinated creditors of the Issuer, and (iii) any subordinated creditors of the Issuer whose rights rank or are expressed to rank in priority to the Notes, including, for the avoidance of doubt, holders of notes which constitute Tier 2 Capital of the Issuer and the Issuer Consolidated Situation.

2.2 The Issuer reserves the right to issue further Additional Tier 1 Capital and other subordinated notes and obligations in the future, which may rank *pari passu* with the Notes as well as any capital instruments of the Issuer, which may rank junior to the Notes or any capital instruments which may rank senior to the Notes.

3 THE AMOUNT OF THE NOTES AND UNDERTAKING TO MAKE PAYMENTS

3.1 The SEK Notes are denominated in SEK and the NOK Notes are denominated in NOK, and each Note is constituted by these Terms and Conditions. Subject to these Terms and Conditions, the Issuer undertakes to repay the Notes, to pay Interest and to otherwise act in accordance with and comply with these Terms and Conditions.

3.2 By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to these Terms and Conditionsthe Finance Documents and by acquiring Notes each subsequent Noteholder confirms these Terms and Conditionssuch agreement.

3.3 Each Noteholder acknowledges and accepts that any liability of the Issuer towards a Noteholder under the Notes may be subject to bail-in action, including conversion or write-downwrite-down, in accordance with Directive 2014/59/EU and Directive 2019/879/EU/or Icelandic act no. 70/2020 establishing a framework for the recovery and resolution of credit institutions and investment firms as amended or replaced from time to time.

3.4 Except in a winding-up or resolution process, all payments in respect of, or arising from (including any damages awarded for breach of any obligations under), the Notes are, in addition to the right or obligation of the Issuer to cancel payments of interest under Clause 10.2, conditional upon the Issuer being solvent and not in breach of any Applicable Capital Regulations at the time of payment by the Issuer and no principal, interest or any other amount shall be due and payable in respect of, or arising from, the Notes except to the extent that the Issuer could make such payment and still be solvent and in compliance with Applicable Capital Regulations immediately thereafter (the "**Solvency Condition**"). For the purposes of this Clause 3.4, the Issuer shall be considered to be solvent if (i) it is able to pay its debts owed to its senior creditors as they fall due and (ii) its assets exceed its liabilities. Any payment of interest not due by reason of this Clause 3.4 shall not be or become payable at any time and shall be cancelled as provided in Clause 10.2.

3.5 The aggregate amount of the note loans will be an amount of SEK 700,000,000 and NOK 200,000,000 (together, the "**Note Issue**") which will be represented by SEK Notes and NOK Notes, with each SEK Note being in a nominal amount of SEK 1,250,000, and each NOK Note being in a nominal amount of NOK 1,250,000 (the "**Nominal Amount**"). The Nominal Amount, and the Total Nominal Amount, may be subject to a write-down, and subsequent reinstatement, in each case on a pro rata basis, in accordance with Clause 11 (*Loss Absorption and Discretionary Reinstatement),* and "Nominal Amount" shall be construed accordingly.

3.6 All Notes are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount.

3.7 The minimum permissible investment in connection with the Note Issue is, in respect of SEK Notes, SEK 1,250,000 and in respect of NOK Notes, NOK 1,250,000.

3.8 The ISIN for the SEK Notes is NO0013697466 and the ISIN for the NOK Notes is NO0013697425.

4 USE OF PROCEEDS

The proceeds from the issue of the Notes shall be used towards general corporate purposes of the Issuer.

5 CONDITIONS FOR DISBURSEMENT

5.1 The Issuer shall provide to the Agent, no later than 11.00 a.m. three (3) Business Days prior to the Issue Date, the following:

(a) a copy of the articles of association and certificate of registration of the Issuer;

(b) a copy of a resolution of the board of directors of the Issuer approving the Note Issue;

(c) evidence of the relevant authorisation for one or more persons to execute the Terms and Conditions and the Agency Agreement on the Issuer's behalf and to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Terms and Conditions and the Agency Agreement;

(d) a duly executed copy of the Terms and Conditions; and

(e) a duly executed copy of the Agency Agreement.

5.2 The Agent shall confirm to the Manager when the conditions in Clause 5.1 have been received (or amended or waived in accordance with Clause 19 (*Amendments and waivers*)).

5.3 Following receipt by the Manager of the confirmation in accordance with Clause 5.2, the Manager shall settle the issuance of the Notes and pay the proceeds of the Note Issue to the Issuer on the Issue Date.

6 THE NOTES AND TRANSFERABILITY

6.1 By virtue of being registered as a Noteholder (directly or indirectly) with the CSD, each Noteholder is bound by these Terms and Conditions without there being any further actions required to be taken or formalities to be complied with by the Agent, the Noteholders or any other third party.

6.2 The Notes are freely transferable. All Note transfers are subject to these Terms and Conditions and these Terms and Conditions are automatically applicable in relation to all Note transferees upon completed transfer. Notwithstanding the foregoing, Noteholders may be subject to purchase or transfer restrictions with regard to the Notes, as applicable, under local laws to which a Noteholder may be subject. Each Noteholder must ensure compliance with such restrictions at its own cost and expense.

6.3 Upon a transfer of Notes, any rights and obligations under these Terms and Conditions relating to such Notes are automatically transferred to the transferee.

6.4 Each Noteholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Notes, (due to, *e.g.*, its nationality, its residency, its registered address or its place(s) of business). Each Noteholder must ensure compliance with such restrictions at its own cost and expense.

6.5 For the avoidance of doubt and notwithstanding the above, a Noteholder which allegedly has purchased Notes in contradiction to mandatory restrictions applicable may nevertheless utilise its voting rights under these Terms and Conditions and shall be entitled to exercise its full rights as a Noteholder hereunder in each case until such allegations have been resolved.

7 NOTES IN BOOK-ENTRY FORM

7.1 The Notes will be registered for the Noteholders on their respective Securities Accounts and no physical Notes will be issued. Accordingly, the Notes will be registered in accordance with the relevant Norwegian securities legislation and the CSD Regulations. Registration requests relating to the Notes shall be directed to an Account Operator. The Debt Register shall constitute conclusive evidence of the persons who are Noteholders and their holdings of Notes at the relevant point of time.

7.2 Subject to the CSD Regulations, the Issuer and the Agent shall at all times be entitled to obtain the relevant information from the Debt Register.

7.3 Subject to the CSD Regulations, for the purpose of carrying out any administrative procedure that arises out of the Finance Documents, the Paying Agent shall be entitled to obtain information from the Debt Register.

7.4 The Issuer (and the Agent when permitted under the CSD's applicable regulations) may use the information referred to in Clause 7.2 only in order to fulfil statutory information obligations towards supervisory authorities, and for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and the Agency Agreement and shall not disclose such information to any Noteholder or third party unless necessary for such purposes.

7.5 The Issuer will at all times ensure that the registration of the Notes in the CSD resulting from actions taken by the Issuer is correct and shall immediately upon any amendment or variation of these Terms and Conditions give notice to the CSD of any such amendment or variation. The Issuer shall not be responsible for ensuring the correctness of registration changes arising from actions by investors, intermediaries, or other third parties.

8 RIGHT TO ACT ON BEHALF OF A NOTEHOLDER

8.1 If any person other than a Noteholder (including the owner of a Note, if such person is not the Noteholder) wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other authorisation from the Noteholder or a successive, coherent chain of powers of attorney or authorisations starting with the Noteholder and authorising such person.

8.2 A Noteholder may issue one or several powers of attorney or other authorisations to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under the Finance Documents in relation to the Notes for which such representative is entitled to represent the Noteholder.

8.3 The Agent shall only have to examine the face of a power of attorney or other authorisation that has been provided to it pursuant to Clause 8.1 and Clause 8.2 and may assume that such document has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.

8.4 These Terms and Conditions shall not affect the relationship between a Noteholder who is the nominee (Sw. *förvaltare*) with respect to a Note and the owner of such Note, and it is the responsibility of such nominee to observe and comply with any restrictions that may apply to it in this capacity.

9 PAYMENTS IN RESPECT OF THE NOTES

9.1 The Issuer will, subject to the Solvency Condition, make available to or to the order of the Paying Agent all amounts due on each payment date pursuant to the terms of these Terms and Conditions at such times and to such accounts as specified by the Paying Agent in advance of each payment date or when other payments are due and payable pursuant to these Terms and Conditions.

9.2 Any payment or repayment under these Terms and Conditions shall be made to such Person who is registered as a Noteholder on the Record Date prior to the relevant payment date, or to such other Person who is registered with the CSD on such Record Date as being entitled to receive the relevant payment, repayment or repurchase amount.

9.3 If a Noteholder has registered, through an Account Operator, that principal, Interest and any other payment that shall be made under these Terms and Conditions shall be deposited in a certain bank account, such deposits will be effectuated by the CSD on the relevant payment date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effectuate payments as aforesaid, the Issuer shall procure that such amounts are paid to such Persons who are registered as Noteholders on the relevant Record Date as soon as possible after such obstacle has been removed.

9.4 Any specific payment instructions, including foreign exchange bank account details, to be connected to the Noteholder's account in the CSD must be provided by the relevant Noteholder to the Paying Agent (either directly or through its Account Operator in the CSD) within five CSD Business Days prior to a payment date. Depending on any currency exchange settlement agreements between each Noteholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

9.5 Notwithstanding anything to the contrary in these Terms and Conditions, the Notes shall be subject to, and any payments made in relation thereto shall be made in accordance with, the CSD Regulations.

9.6 If payment or repayment is made in accordance with this Clause 9, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a Person not entitled to receive such amount, unless the Issuer or the CSD (as applicable) was aware that the payment was being made to a Person not entitled to receive such amount.

9.7 The Issuer shall pay any stamp duty and other public fees accruing in connection with the Note Issue, but not in respect of trading in the secondary market (except to the extent required by applicable law), and shall deduct at source any applicable withholding tax payable pursuant to law. The Issuer shall not be liable to reimburse any stamp duty or public fee or to gross-up any payments under these Terms and Conditions by virtue of any withholding tax, public levy or similar.

10 INTEREST AND INTEREST CANCELLATION

10.1 Interest

10.1.1 Subject to Clause 10.2 and Clause 11, the Notes will carry Interest at the Interest Rate calculated on the Nominal Amount from (but excluding) the Issue Date up to (and including) the relevant Redemption Date.

10.1.2 Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made to the Noteholders on each Interest Payment Date for the preceding Interest Period.

10.1.3 Interest shall be calculated on the basis of the actual number of calendar days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).

10.2 Interest Cancellation

10.2.1 Any payment of Interest in respect of the Notes shall be payable only out of and up to the Issuer's Distributable Items and:

(a) are subject to the Solvency Condition;

(b) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Capital Regulations; and

(c) will be mandatorily cancelled to the extent so required by, or in accordance with, the Applicable Capital Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.

10.2.2 The Issuer shall give notice to the Noteholders in accordance with Clause 26 (*Notices*) of any such cancellation of a payment of Interest, on or prior to the Record Date for the relevant Interest Payment Date. Notwithstanding the foregoing, failure to give such notice shall not prejudice the right of the Issuer not to pay Interest as described above and non-payment of any amount of interest scheduled to be paid on an Interest Payment Date will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Issuer and shall not constitute an event of default for any purpose.

10.2.3 Following any cancellation of Interest as described above, the right of the Noteholders to receive accrued Interest in respect of any such Interest Period will terminate and the Issuer will have no further obligation to pay such Interest or to pay interest thereon, whether or not payments of Interest in respect of subsequent Interest Periods are made, and such unpaid Interest will not be deemed to have "accrued" or been earned for any purpose.

10.2.4 Failure to pay such interest (or the cancelled part thereof) in accordance with Clause 10 shall not constitute an event of default or the occurrence of any event related to the insolvency of the Issuer or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer.

10.2.5 If a Capital Disqualification Event occurs and the Notes are no longer eligible to comprise Additional Tier 1 Capital and the Issuer has delivered to the Agent a duly signed certificate certifying that a Capital Disqualification Event has occurred and the Notes are no longer eligible to comprise Additional Tier 1 Capital:

(a) the Issuer shall not, to the extent permitted under then prevailing Applicable Capital Regulations, exercise its discretion pursuant to this Clause 10.2to cancel any Interest Payment, in whole or in part, which is scheduled to be paid on an Interest Payment Date following the occurrence of such Capital Disqualification Event; and

(b) the Issuer shall give notice to the Noteholders in accordance with these Terms and Conditions as soon as reasonably practicable after such occurrence stating that the Issuer may no longer exercise its discretion pursuant to this Clause 10.2 to cancel any Interest Payments as from the date of such notice.

10.3 Calculation of Interest in case of Write-Down or reinstatement

10.3.1 Subject to Clause 10.2 (*Interest Cancellation*), in the event that a Write-Down occurs during an Interest Period, Interest will accrue on the Nominal Amount (as adjusted pursuant to such Write-Down).

10.3.2 Subject to Clause 10.2 (*Interest Cancellation*), in the event that a reinstatement of the Notes occurs pursuant to Clause 11.3 (*Reinstatement of the Notes*), Interest shall begin to accrue on the reinstated Nominal Amount with effect from (but excluding) such date on which the reinstatements will become effective.

10.3.3 In connection with a Write-Down or reinstatement pursuant to Clause 11 (*Loss absorption and discretionary reinstatement*), the Issuer shall inform the Paying Agent and the CSD of an adjusted interest rate that shall be applied on the next Interest Payment Date, in order for the Noteholders to receive an amount of Interest equivalent to the Interest Rate on the Notes so written down or written up (as applicable).

10.4 No Penalty Interest

Under no circumstances shall any penalty interest be payable by the Issuer in respect of the Notes.

11 LOSS ABSORPTION AND DISCRETIONARY REINSTATEMENT

11.1 Write-Down upon a Trigger Event

11.1.1 If at any time a Trigger Event occurs the Issuer will irrevocably cancel any accrued and unpaid interest in respect of the Notes to (but excluding) the Write-Down Date (as defined below) in accordance with Clause 10 (*Interest and Interest Cancellation*) above (including if payable on the Write-Down Date); and on the Write-Down Date (without any requirement for the consent or approval of the Noteholders), reduce the then Total Nominal Amount or the Issuer's payment obligation under the Notes in accordance with Clause 11.1 (such reduction a "**Write-Down**").

11.1.2 A Write-Down shall take place without delay on a date selected by the Issuer in consultation with the IFSA (the "**Write-Down Date**") but no later than one month following the occurrence of the relevant Trigger Event. The IFSA may require that the period of one month referred to above is reduced in cases where it assesses that sufficient certainty on the required amount of the write-down is established or in cases where it assesses that an immediate write-down is needed.

11.1.3 A Write-Down shall be made as a reduction of the Total Nominal Amount where the Nominal Amount of the Notes shall be reduced to a certain percentage of the Nominal Amount and such Write-Down shall be made in accordance with the rules of the CSD and shall, under the Accounting Principles generate items that qualify as CET1 Capital.

11.1.4 The amount of the reduction of the Total Nominal Amount on the Write-Down Date shall equal the amount of a Write-Down that would restore the CET1 Ratio of the Issuer to at least 5.125 per cent., and the CET1 Ratio of the Issuer Consolidated Situation to at least 5.125 per cent., in each case at the point of such Write-Down, provided that the maximum reduction of the Total Nominal Amount shall be down to a Nominal Amount per Note corresponding to, in respect of the SEK Notes, SEK 1 and, in respect of the NOK Notes, NOK 1.

11.1.5 A Write-Down in accordance with Clause 11.1 shall be made taking into account any preceding or imminent Write-Down or conversion of corresponding or similar loss absorbing instruments (if any) issued by the Issuer or any other member of the Issuer Consolidated Situation, including but not limited to Additional Tier 1 Capital instruments (other than the Notes). To the extent the Write-Down or conversion of any corresponding or similar loss absorbing instruments is not possible for any reason, this shall not in any event prevent a Write-Down of the Notes.

11.1.6 For the avoidance of doubt, the Nominal Amount of each Note shall, upon the Write-Down of the Total Nominal Amount described above, be written down on a pro rata basis.

11.1.7 A Write-Down may occur on more than one occasion and the Notes may be written down on more than one occasion. Any Write-Down shall not constitute an Acceleration Event.

11.1.8 For the purposes of determining whether a Trigger Event has occurred, the CET1 Ratio of the Issuer or the Issuer Consolidated Situation (as applicable) will be calculated based on information (whether or not published) available to management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for ensuring effective ongoing monitoring of the CET1 Ratios of the Issuer or the Issuer Consolidated Situation. The determination as to whether a Trigger Event has occurred shall be made by the Issuer, the IFSA or any agent appointed for such purposes by the IFSA and any such determination shall be binding on the Issuer and the Noteholders.

11.2 Trigger Event Notice

11.2.1 Upon the occurrence of a Trigger Event, the Issuer shall immediately inform the IFSA and shall as soon as practicable following the occurrence of a Trigger Event and in any event not later than five (5) Business Days following such occurrence give notice (a "**Trigger Event**

Notice") to the Noteholders and the Agent in accordance with Clause 26 (Notices), which notice, in addition to specifying that a Trigger Event has occurred shall specify:

(a) the Write-Down Date; and

(b) if then determined, the amount to be written down in accordance with Clause 11.1 (*Write-Down upon a Trigger Event*) ("**Write-Down Amount**"). If the Write-Down Amount has not been determined when the Trigger Event Notice is given, the Issuer shall, as soon as reasonably practicable following such determination, notify Noteholders and the Agent of the Write-Down Amount.

11.2.2 Notwithstanding paragraph 11.2.1 above, failure to give a Trigger Event Notice shall not prejudice any Write-Down of the Notes.

11.3 Reinstatement of the Notes

11.3.1 Following a Write-Down, the Issuer may, at its absolute discretion, reinstate any portion of the principal of the Notes, subject to compliance with any maximum distribution limits set out in, and otherwise in accordance with, the Applicable Capital Regulations.

11.3.2 Unless a reinstatement of the Nominal Amount of the Notes is permitted and possible in accordance with the rules of the CSD, reinstatement shall be made by way of issuing new Notes that qualify as Additional Tier 1 Capital to the relevant Noteholders. Any such new note issuance shall specify the relevant details of the manner in which such new note issuance shall take effect and where the Noteholders can obtain copies of the new terms and conditions of the new notes. Such new notes shall be issued without any cost or charge to the Noteholders and shall be made in accordance with the rules of the CSD.

11.3.3 A reinstatement in accordance with Clause 11.3 shall be made taking into account any preceding or imminent reinstatement of corresponding or similar loss absorbing instruments issued by the Issuer or any other member of the Issuer Consolidated Situation, including but not limited to Additional Tier 1 Capital instruments (other than the Notes).

11.3.4 For the avoidance of doubt, at no time may the reinstated Total Nominal Amount exceed the original Total Nominal Amount of the Notes (if issued in full), being, in respect of the SEK Notes SEK 700,000,000, and, in respect of the NOK Notes 200,000,000.

11.3.5 For the avoidance of doubt, any reinstatement of the Notes shall be made on a pro rata basis.

11.3.6 If the Issuer decides to reinstate any portion of the principal of the Notes, the Issuer shall notify the Noteholders and the Agent in accordance with Clause 26 (*Notices*) prior to such reinstatements becoming effective and specifying the date on which the reinstatements will become effective. Such notice shall specify the Record Date and any technical or administrative actions that a Noteholder needs to undertake to receive its portion of the reinstatement. A reinstatement of the Notes shall take place on a Business Day as selected by the Issuer, however, falling no earlier than twenty (20) Business Days following the effective date of the reinstatement notice.

12 REDEMPTION AND REPURCHASE OF THE NOTES

12.1 Perpetual Notes

The Notes constitute perpetual obligations of the Issuer and have no fixed date for redemption. The Issuer may only redeem the Notes at its discretion in the circumstances described in Clause 12 (*Redemption and Repurchase of the Notes*). The Notes are not redeemable at the option of the Noteholders at any time.

12.2 Early redemption at the option of the Issuer

Subject to Clause 3.4 and Clause 12.8 (*Consent from the IFSA*) and giving notice in accordance with Clause 12.9 (*Notice of Early Redemption, Substitution or Variation*), the Issuer may redeem all (but not only some) of the Notes on:

(a) any Business Day falling within the Initial Call Period; or

(b) any Interest Payment Date falling after the Initial Call Period;

in each case, at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest thereon.

12.3 Early Redemption due to a Clean-Up Event

If a Clean-Up Event has occurred and subject to Clause 12.8 (*Consent from the IFSA*), and giving notice in accordance with Clause 12.9 (*Notice of Early Redemption, Substitution or Variation*), the Issuer may redeem all (but not only some) of the Notes on any Interest Payment Date at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest thereon.

12.4 Redemption or purchase prior to fifth anniversary

Subject to Clause 3.4 and Clause 12.8 (*Consent from the IFSA*) and giving notice in accordance with Clause 12.9 (*Notice of Early Redemption, Substitution or Variation*), the Issuer may redeem all (but not only some) of the Notes or may purchase any Notes outstanding at any time prior to the fifth anniversary of the Issue Date, provided that:

(a) the Issuer has, before or at the same time as such redemption or repurchase, replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the IFSA has permitted such action on the basis that it is beneficial from a prudential point of view and justified by exceptional circumstances; or

(b) in the case of a purchase only, if the Notes are being repurchased solely for market-making purposes in accordance with Applicable Capital Regulations.

12.5 Purchase of Notes by the Issuer

Subject to Clause 3.4 and Clause 12.8 (*Consent from the IFSA*), the Issuer or any Group Company, or any other company forming part of the Issuer Consolidated Situation, may at any time on or following the First Call Date and at any price purchase Notes on the market or in any other way. Any Notes repurchased by such company may be retained, sold or cancelled, provided that such action has been approved by the IFSA (if and to the extent then required by the Applicable Capital Regulations).

12.6 Early Voluntary Total Redemption or Substitution or Variation due to Capital Disqualification Event, Tax Event or Alignment Event (Call Option)

Subject to Clause 3.4 and Clause 12.8 (*Consent from the IFSA*) and giving notice in accordance with Clause 12.9 (*Notice of Early Redemption, Substitution or Variation*), if a Capital Disqualification Event, a Tax Event or an Alignment Event has occurred, the Issuer may:

(a) in the case of a Capital Disqualification Event or a Tax Event, redeem all, but not some only, of the outstanding Notes on any Interest Payment Date at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest thereon to (but excluding) the date fixed for redemption; or

(b) substitute or vary the terms of all (but not some only) of the outstanding Notes without any requirement for the consent or approval of the Noteholders, subject to them becoming or remaining, as applicable, Qualifying Capital Notes provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem, substitute or vary the terms of the Notes in accordance with this Clause 12.6 in relation to the Qualifying Capital Notes so substituted or varied.

12.7 Early redemption amount

The Notes shall be redeemed at a price per Note equal to the Nominal Amount together with accrued but unpaid interest thereon to (but excluding) the date fixed for redemption (to the extent such interest has not been cancelled).

12.8 Consent from the IFSA

The Issuer may not redeem, purchase, substitute or adjust, as contemplated by Clause 12 (*Redemption and Repurchase of the Notes*), any outstanding Notes without the prior written consent of the IFSA (if and to the extent then required under the Applicable Capital Regulations) and in accordance with the Applicable Capital Regulations. Any refusal by the IFSA to give its permission shall not constitute an event of default for any purpose.

12.9 Notice of early Redemption, Substitution or Variation

12.9.1 Redemption, substitution or variation in accordance with Clause 12.2 (*Early redemption at the option of the Issuer*) and Clause 12.3 (Early Redemption due to a Clean-Up Event) and Clause 12.6 (*Early Voluntary Total Redemption or Substitution or Variation due to Capital Disqualification Event, Tax Event or Alignment Event (Call Option)*) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Noteholders and the Agent. Any notice of redemption shall state the Redemption Date and the relevant Record Date. Such notice is irrevocable but may, subject to the Applicable Capital Regulations and approval of the IFSA, at the Issuer's discretion contain one or more conditions precedent that shall be fulfilled prior to the Record Date. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer shall redeem the Notes in full at the applicable amount on the specified Redemption Date.

12.9.2 Notwithstanding Clause 12.9.1 above,

(a) if a Trigger Event is outstanding, no notice of redemption, substitution or variation may be given until the Trigger Event has been cured; and

(b) if a Trigger Event occurs following a notice being given in accordance with paragraph (a) above but prior to the relevant redemption, substitution or variation of the Notes, such notice shall be of no force and effect and Clause 11.1(*Write-Down upon a Trigger Event*) shall apply, and, for the avoidance of doubt, no redemption, substitution or variation shall occur.

13 INFORMATION TO NOTEHOLDERS

13.1 Information from the Issuer

13.1.1 The Issuer shall make the following information available to the Noteholders by way of press release and by publication on the website of the Issuer:

(a) as soon as the same become available, but in any event within four (4) months after the end of each financial year, its audited (consolidated, if relevant) financial statements for that financial year prepared in accordance with the Accounting Principles;

(b) as soon as the same become available, but in any event within three (3) months after the end of each quarter of its financial year, its (consolidated, if relevant) financial statements (as applicable) for such period prepared in accordance with the Accounting Principles;

(c) as soon as the same become available, but in any event within three (3) months after the end of each quarter of its financial year, the Issuer's Pillar III disclosures, a report on regulatory capital for the Issuer and the Issuer Consolidated Situation (if required to be prepared pursuant to the Applicable Capital Regulations); and

(d) from, and as long as the Notes are admitted to trading on any Regulated Market, any other information required by law and the rules and regulations of the Regulated Market on which the Notes are admitted to trading.

13.1.2 The Issuer shall procure that the aggregate Nominal Amount held by the Issuer or any Group Company, including any amount of Notes cancelled by the Issuer, are reflected in each interim report published by the Issuer pursuant to Clause 13.1.1(b).

13.2 Information; Miscellaneous

The Issuer shall:

(a) prepare the Financial Statements in accordance with the Accounting Principles and make them available in accordance with the rules and regulations of Nasdaq Stockholm (or any other Regulated Market, as applicable) (as amended from time to time) and otherwise pursuant to law;

(b) procure that each of the financial statements includes a profit and loss account and a balance sheet and a cash flow statement; and

(c) keep the latest version of the Terms and Conditions (including documents amending the Terms and Conditions) available on its website.

14 ADMISSION TO TRADING

14.1 The Issuer:

(a) shall use reasonable efforts to ensure that the Notes are admitted to trading on the corporate bond list of Nasdaq Stockholm or another Regulated Market within thirty (30) days from the Issue Date; and

(b) once the Notes are admitted to trading on a Regulated Market, shall use reasonable efforts to maintain such admission as long as the Notes are outstanding (however, taking into account the rules and regulations (as amended from time to time) of Nasdaq Stockholm or any other relevant Regulated Market, as applicable, and the CSD preventing trading in the Notes in close connection to the redemption of the Notes).

14.2 For the avoidance of doubt, neither a Noteholder nor the Agent has the right to accelerate the Notes or otherwise request a prepayment or redemption of the Notes in case of a failure to (i) admit the Notes to trading or (ii) maintain admission to trading of the Notes, in accordance with Clause 14.

15 ACCELERATION OF THE NOTES

15.1 Neither a Noteholder nor the Agent has a right to accelerate the Notes or otherwise request prepayment or redemption of the Nominal Amount of the Notes, except in the event of winding up (Icel. *slit*) of the Issuer (an “**Acceleration Event**”).

15.2 If an Acceleration Event has occurred, the Agent is, following the instruction of the Noteholders, authorised to:

(a) by notice to the Issuer, declare all, but not only some, of the Notes due for payment together with any other amounts payable under the Finance Documents (except any Interest cancelled in accordance with Clause 10.2 (*Interest Cancellation*)), immediately or at such later date as the Agent determines; and

(b) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents.

15.3 The Issuer shall as soon as possible notify the Agent of the occurrence of an Acceleration Event and the Agent shall notify the Noteholders of an Acceleration Event as soon as possible when the Agent receives actual knowledge of the Acceleration Event.

15.4 In the event of an acceleration of the Notes upon an Acceleration Event, the Issuer shall redeem all Notes at an amount equal to the Nominal Amount of the Notes together with accrued and unpaid interest (except any Interest cancelled in accordance with Clause 10.2 (*Interest Cancellation*)).

15.5 No payments will be made to the Noteholders before all amounts due, but unpaid, to all other creditors of the Issuer ranking ahead of the Noteholders as described in Clause 2 (Status and Ranking of the Notes) have been paid by the Issuer, as ascertained by the winding up committee (Icel. *slitastjórn*).

15.6 No Noteholder shall be entitled to exercise any right of set-off against monies owed by the Issuer in respect of the Notes held by such Noteholder.

16 DISTRIBUTION OF PROCEEDS

16.1 All payments by the Issuer relating to the Notes and the Terms and Conditions following an acceleration of the Notes in accordance with Clause 15 (*Acceleration of the Notes*), shall be distributed in the following order of priority, in accordance with the instructions of the Agent:

(a) *firstly*, in or towards payment *pro rata* of:

(i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Noteholders);

(ii) other costs, expenses and indemnities relating to the acceleration of the Notes or the protection of the Noteholders' rights as may have been incurred by the Agent;

(iii) any non-reimbursed costs incurred by the Agent for external experts that have not been reimbursed by the Issuer based on other Clauses under these Terms and Conditions; and

(iv) if applicable, any non-reimbursed costs and expenses incurred by the Agent in relation to a Noteholders' Meeting or a Written Procedure;

(b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest under the Notes not cancelled in accordance with Clause 10.2 (*Interest Cancellation*) (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);

(c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Notes; and

(d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under the Terms and Conditions.

Any excess funds after the application of proceeds in accordance with paragraphs (a) to (d) above shall be paid to the Issuer. The application of proceeds in accordance with paragraphs (a) to (d) above shall, however, not restrict a Noteholders' Meeting or a Written Procedure from resolving that accrued Interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

16.2 If a Noteholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 16.1, such Noteholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 16.1.

16.3 Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Notes constitute escrow funds according to the Escrow Funds Act (Sw. *lag (1944:181) om redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Noteholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with Clause 16 as soon as reasonably practicable.

16.4 If the Issuer or the Agent shall make any payment under Clause 16, the Issuer or the Agent, as applicable, shall notify the Noteholders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 9.1 shall apply.

17 TAXATION

17.1 All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount) the Issuer will (to the extent that such payment can be made out of Distributable Items which are available and in accordance with these Conditions) pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them in respect of payment of interest had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Notes:

(a) presented for payment in a Relevant Jurisdiction;

(b) held by or on behalf of a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Notes by reason of it having some connection with the Relevant Jurisdiction other than a mere holding of such Notes; or

(c) presented for payment more than 30 days after the Record Date except to the extent that the Noteholder 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 Record Date.

17.2 References in these Terms and Conditions (including, without limitation, for the purposes of cancellation pursuant to Clause 10) to interest shall be deemed to include any Additional Amounts which may be payable under this Clause 17 or any undertaking given in addition thereto or in substitution therefore.

17.3 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 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 and receives confirmation of exemption of the Notes from such taxation. The Issuer undertakes to ensure that the Notes are registered and accepted for clearance with an Eligible Securities Depository (which would include Euroclear and Clearstream, Luxembourg) and to register the Notes with the Directorate of Internal Revenue in Iceland on the Issue Date 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 Noteholders in respect of payments of interest (but not principal or any other amount) after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Notes, in the absence of such withholding or deduction (and the exceptions set out in paragraphs (a) to (c) above shall not be applicable).

17.4 Notwithstanding any other provisions of these Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer shall be made net of any deduction or withholding imposed or required pursuant to FATCA ("**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

18 DECISIONS BY NOTEHOLDERS

18.1 Request for a Decision

18.1.1 A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.

18.1.2 Any request from the Issuer or a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request shall, if made by several Noteholders, be made by them jointly) for a decision by the Noteholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Noteholders' Meeting or by way of a Written Procedure, as determined by the Agent. The Person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Noteholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Noteholders' Meeting.

18.1.3 The Agent may refrain from convening a Noteholders' Meeting or instigating a Written Procedure if the suggested decision must be approved by any Person in addition to the

Noteholders and such Person has informed the Agent that an approval will not be given or the suggested decision is not in accordance with applicable regulations.

18.1.4 The Agent shall not be responsible for the content of a notice for a Noteholders' Meeting or a communication regarding a Written Procedure unless and to the extent it contains information provided by the Agent.

18.1.5 Should the Agent not convene a Noteholders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without Clause 18.1.3 being applicable, the Issuer or the Noteholder(s) requesting a decision by the Noteholders may convene such Noteholders' Meeting or instigate such Written Procedure, as the case may be, instead. The Issuer or the Agent shall upon request provide the Issuer or the convening Noteholder(s) with the information available in the Debt Register in order to convene and hold the Noteholders' Meeting or instigate and carry out the Written Procedure, as the case may be. The Issuer or Noteholder(s), as applicable, shall supply to the Agent a copy of the dispatched notice or communication.

18.1.6 Should the Issuer want to replace the Agent, it may convene a Noteholders' Meeting in accordance with Clause 18.2 (*Convening of Noteholders' Meeting*) or instigate a Written Procedure by sending communication in accordance with Clause 18.3 (*Instigation of Written Procedure*). After a request from the Noteholders pursuant to Clause 21.4.3, the Issuer shall no later than ten (10) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Noteholders' Meeting in accordance with Clause 18.2. The Issuer shall inform the Agent before a notice for a Noteholders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and supply to the Agent a copy of the dispatched notice or communication.

18.1.7 Should the Issuer or any Noteholder(s) convene a Noteholders' Meeting or instigate a Written Procedure pursuant to Clause 18.1.5 or 18.1.6, then the Agent shall no later than five (5) Business Days prior to dispatch of such notice or communication be provided with a draft thereof. The Agent may further append information from it together with the notice or communication, provided that the Agent supplies such information to the Issuer or the Noteholder(s), as the case may be, no later than one (1) Business Day prior to the dispatch of such notice or communication.

18.2 Convening Noteholders' Meeting

18.2.1 The Agent shall convene a Noteholders' Meeting by way of notice to the Noteholders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete notice from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons).

18.2.2 The notice pursuant to Clause 18.2.1 shall include:

(a) time for the meeting;

(b) place for the meeting;

(c) a specification of the Record Date on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights;

(d) a form of power of attorney;

(e) the agenda for the meeting;

(f) any applicable conditions precedent and conditions subsequent;

(g) the reasons for, and contents of, each proposal;

(h) if the proposal concerns an amendment to any Finance Document, the details of such proposed amendment;

(i) if a notification by the Noteholders is required in order to attend the Noteholders' Meeting, information regarding such requirement; and

(j) information on where additional information (if any) will be published.

18.2.3 The Noteholders' Meeting shall be held no earlier than ten (10) Business Days and no later than twenty (20) Business Days from the notice.

18.2.4 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Noteholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Noteholders to vote without attending the meeting in person.

18.3 Instigation of Written Procedure

18.3.1 The Agent shall instigate a Written Procedure by way of sending a notice to the Noteholders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete notice from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons).

18.3.2 A communication pursuant to Clause 18.3.1 shall include:

(a) a specification of the Record Date on which a Person must be registered as a Noteholder in order to be entitled to exercise voting rights;

(b) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney;

(c) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least ten (10) Business Days but no more than twenty (20) Business Days from the communication pursuant to Clause 18.3.1);

(d) any applicable conditions precedent and conditions subsequent;

(e) the reasons for, and contents of, each proposal;

(f) if a proposal concerns an amendment to any Finance Document, the details of such proposed amendment;

(g) if the voting is to be made electronically, the instructions for such voting; and

(h) information on where additional information (if any) will be published.

18.3.3 If so elected by the person requesting the Written Procedure and provided that it is also disclosed in the communication pursuant to Clause 18.3.1, when consents from Noteholders representing the requisite majority of the aggregate Adjusted Nominal Amount pursuant to Clauses 18.4.2 and 18.4.3 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 17.4.2 or 17.4.3, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

18.3.4 The Agent may, during the Written Procedure, provide information to the Issuer by way of updates whether or not quorum requirements have been met and about the eligible votes received by the Agent, including the portion consenting or not consenting to the proposal(s) or refraining from voting (as applicable).

18.4 Majority, Quorum and Other Provisions

18.4.1 Only a Noteholder or a person who is, or who has been provided with a power of attorney or other authorisation pursuant to Clause 8 (*Right to act on behalf of a Noteholder*) from a Noteholder:

(a) on the Record Date Meeting specified in the notice pursuant to Clause 18.2.2, in respect of a Noteholders' Meeting, or

(b) on the Record Date specified in the communication pursuant to Clause 18.3.2, in respect of a Written Procedure,

may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the definition of Adjusted Nominal Amount. Each whole Note entitles to one vote and any fraction of a Note voted for by a person shall be disregarded. Such Record Day specified pursuant to paragraph (a) or (b) above must fall no earlier than one (1) Business Day after the effective date of the notice.

18.4.2 The following matters shall require consent of Noteholders representing at least sixty-six and two thirds (66 2/3) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18.3.2:

(a) a change of the terms of any of Clauses 2.1, 3.1, 15.1 or 16.1;

(b) a mandatory exchange of the Notes for other securities (other than as contemplated in Clause 11 (*Loss Absorption and Discretionary Reinstatement*) and Clause 12 (*Redemption and Repurchase of the Notes*)).

(c) reduce the principal amount, Interest Rate or Interest which shall be paid by the Issuer (other than as a result of an application of Clause 20 (*Replacement of Base Rate*));

(d) an early redemption, amortisation or repurchase of the Notes other than as permitted by these Terms and Conditions (which for the avoidance of doubt shall always be subject to the Applicable Capital Regulations and the prior consent of the SFSAIFSA); or

(e) amend the provisions in Clause 18.4.2 or in Clause 18.4.3.

18.4.3 Any matter not covered by Clause 18.4.2 shall require the consent of Noteholders representing more than fifty (50) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18.3.2. This includes, but is not limited to, any amendment to or waiver of these Terms and Conditions that does not require a higher majority (other than an amendment or waiver permitted pursuant to paragraphs (a) to (f) of Clause 19.1) or an acceleration of the Notes.

18.4.4 Quorum at a Noteholders' Meeting or in respect of a Written Procedure only exists if a Noteholder (or Noteholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 18.4.2 and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:

(a) if at a Noteholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or

(b) if in respect of a Written Procedure, reply to the request.

18.4.5 If a quorum exists for some but not all of the matters to be dealt with at a Noteholders' Meeting or by a Written Procedure, decisions may be taken in matters for which a quorum exists.

18.4.6 If a quorum does not exist at a Noteholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Noteholders' Meeting (in accordance with Clause 18.2.1) or initiate a second Written Procedure (in accordance with Clause 18.3.1), as the case may be, provided that the relevant proposal has not been withdrawn by the Person(s) who initiated the procedure for Noteholders' consent. The quorum requirement in Clause 18.4.4 shall not apply to such second Noteholders' Meeting or Written Procedure.

18.4.7 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate.

18.4.8 A Noteholder holding more than one (1) Note need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.

18.4.9 If any matter decided in accordance with Clause 17 would require consent from the IFSA, such consent shall be sought by the Issuer.

18.4.10 The Noteholders may not resolve to make amendments to these Terms and Conditions if the Issuer, after consultation with the IFSA, considers that a change in the Terms and Conditions would be likely to result in the exclusion of the Notes from the Additional Tier 1 Capital of the Issuer or the Issuer Consolidated Situation (an "**Additional Tier 1 Exclusion Event**"). A resolution by the Noteholders to amend these Terms and Conditions is not valid if the Issuer, after consultation with the IFSA, considers that such an amendment would be likely to result in an Additional Tier 1 Exclusion Event.

18.4.11 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Noteholders that vote in respect of the proposal at the relevant Noteholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable (such time period to be no less than ten (10) Business Days).

18.4.12 A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure or how they voted. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.

18.4.13 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Noteholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.

18.4.14 If a decision shall be taken by the Noteholders on a matter relating to these Terms and Conditions, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Notes owned by Group Companies or (to the knowledge of the Issuer) Affiliates as per the Record Date for voting, irrespective of whether such Person is directly registered as owner of such Notes. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Note is owned by a Group Company or an Affiliate.

18.4.15 Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Noteholders and published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

19 AMENDMENTS AND WAIVERS

19.1 The Issuer and the Agent (acting on behalf of the Noteholders) may agree in writing to amend the Finance Documents or waive any provision in the Finance Documents, provided that the Agent is satisfied that such amendment or waiver:

(a) is not detrimental to the interest of the Noteholders;

(b) is made solely for the purpose of rectifying obvious errors and mistakes;

(c) is made pursuant to Clause 20 (*Replacement of Base Rate*);

(d) is required by the IFSA for the Notes to satisfy the requirements for Additional Tier 1 Capital under the Applicable Capital Regulations as applied by the IFSA from time to time;

(e) is required by applicable regulation, a court ruling or a decision by a relevant authority;

(f) is necessary for the purpose of having the Notes admitted to trading on the corporate bond list of Nasdaq Stockholm (or any other Regulated Market, as applicable), provided that such amendment or waiver does not materially adversely affect the rights of the Noteholders; or

(g) has been duly approved by the Noteholders in accordance with Clause 17 (*Decisions by Noteholders*) and it has received any conditions precedent specified for the effectiveness of the approval by the Noteholders.

19.2 The Issuer may substitute or vary the terms of all (but not some only) of the outstanding Notes without any requirement for the consent or approval of the Noteholders, so that they become or remain, as applicable, Qualifying Capital Notes, provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem, substitute or vary the terms of the Notes in accordance with Clause 12.6 (*Early Voluntary Total Redemption, Substitution or Variation due to a Capital Disqualification Event, Tax Event or Alignment Event (Call Option)*) in relation to the Qualifying Capital Notes so substituted or varied.

19.3 The Agent shall promptly notify the Noteholders of any amendments or waivers made in accordance with Clause 19.1, setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to these Terms and Conditions are available on the websites of the Issuer and the Agent. The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.

19.4 An amendment or waiver to the Finance Documents shall take effect on the date determined by the Noteholders' Meeting, in the Written Procedure or by the Agent, as the case may be.

20 REPLACEMENT OF BASE RATE

20.1 General

20.1.1 Any determination or election to be made by an Independent Adviser, the Issuer or the Noteholders in accordance with the provisions of Clause 20 shall at all times be made by such Independent Adviser, the Issuer or the Noteholders (as applicable) acting in good faith, in a commercially reasonable manner and by reference to relevant market data.

20.1.2 If a Base Rate Event has occurred, Clause 20 shall take precedence over the fallbacks set out in paragraph (b) to (d) of the definition of STIBOR.

20.2 Definitions

In Clause 20:

"**Adjustment Spread**" means a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, or a combination thereof , to be applied to a Successor Base Rate and that is:

(a) formally recommended by any Relevant Nominating Body in relation to the replacement of the Base Rate; or

(b) if (a) is not applicable, the adjustment spread that the Independent Adviser determines is reasonable to use in order to eliminate, to the extent possible, any transfer of economic value from one party to another as a result of a replacement of the Base Rate and is customarily applied in comparable debt capital market transactions.

"**Base Rate Amendments**" has the meaning set forth in Clause 20.3.4.

"**Base Rate Event**" means one or several of the following circumstances:

(a) the Base Rate (for the relevant Interest Period) has ceased to exist or ceased to be published for at least five (5) consecutive Business Days as a result of the Base Rate (for the relevant Interest Period) ceasing to be calculated or administered;

(b) a public statement or publication of information by (i) the supervisor of the Base Rate Administrator or (ii) the Base Rate Administrator that the Base Rate Administrator ceases to provide the applicable Base Rate (for the relevant Interest Period) permanently or indefinitely and, at the time of the statement or publication, no successor administrator has been appointed or is expected to be appointed to continue to provide the Base Rate;

(c) a public statement or publication of information in each case by the supervisor of the Base Rate Administrator that the Base Rate (for the relevant Interest Period) is no longer representative of the underlying market which the Base Rate is intended to represent and the representativeness of the Base Rate will not be restored in the opinion of the supervisor of the Base Rate Administrator;

(d) a public statement or publication of information in each case by the supervisor of the Base Rate Administrator with the consequence that it is unlawful for the Issuer or the Agent to calculate any payments due to be made to any Noteholder using the applicable Base Rate (for the relevant Interest Period) or it has otherwise become prohibited to use the applicable Base Rate (for the relevant Interest Period);

(e) a public statement or publication of information in each case by the bankruptcy trustee of the Base Rate Administrator or by the trustee under the bank recovery and resolution framework (Sw. *krishanteringsregelverket*) containing the information referred to in (b) above; or

(f) a Base Rate Event Announcement has been made and the announced Base Rate Event as set out in (b) to (e) above will occur within six (6) months.

"**Base Rate Event Announcement**" means a public statement or published information as set out in paragraph (a) to (e) of the definition of Base Rate Event that any event or circumstance specified therein will occur.

"**Independent Adviser**" means an independent financial institution or adviser of repute in the debt capital markets where the Base Rate is commonly used.

"**Relevant Nominating Body**" means, subject to applicable law, firstly any relevant supervisory authority, secondly any applicable central bank, or any working group or committee of any of them, or thirdly the Financial Stability Council (Sw. *Finansiella stabilitetsrådet*) or any part thereof.

"**Successor Base Rate**" means:

(a) a screen or benchmark rate, including the methodology for calculating term structure and calculation methods in respect of debt instruments with similar interest rate terms as the Notes, which is formally recommended as a successor to or replacement of the Base Rate by a Relevant Nominating Body; or

(b) if there is no such rate as described in paragraph (a), such other rate as the Independent Adviser determines is most comparable to the Base Rate.

For the avoidance of doubt, in the event that a Successor Base Rate ceases to exist, this definition shall apply mutatis mutandis to such new Successor Base Rate.

20.3 Determination of Base Rate, Adjustment Spread and Base Rate Amendments

20.3.1 Without prejudice to Clause 20.3.2, upon a Base Rate Event Announcement, the Issuer may, if it is possible to determine a Successor Base Rate at such point in time, at any time before the occurrence of the relevant Base Rate Event at the Issuer's expense appoint an Independent Adviser to initiate the procedure to determine a Successor Base Rate the Adjustment Spread and any Base Rate Amendments for purposes of determining, calculating and finally deciding the applicable Base Rate. For the avoidance of doubt, the Issuer will not be obliged to take any such actions until obliged to do so pursuant to Clause 20.3.2.

20.3.2 If a Base Rate Event has occurred, the Issuer shall use all commercially reasonable endeavours to, as soon as reasonably practicable and at the Issuer's expense, appoint an Independent Adviser to initiate the procedure to determine, as soon as commercially reasonable, a Successor Base Rate, the Adjustment Spread and any Base Rate Amendments for purposes of determining, calculating and finally deciding the applicable Base Rate.

20.3.3 If the Issuer fails to appoint an Independent Adviser in accordance with Clause 20.3.2, the Noteholders shall, if so decided at a Noteholders' Meeting or by way of Written Procedure, be entitled to appoint an Independent Adviser (at the Issuer's expense) for the purposes set forth in Clause 20.3.2. If an Acceleration Event has occurred and is continuing, or if the Issuer fails to carry out any other actions set forth in Clause 20.3 to 20.6, the Agent (acting on the instructions of the Noteholders) may to the extent necessary effectuate any Base Rate Amendments without the Issuer's cooperation.

20.3.4 The Independent Adviser shall also initiate the procedure to determine any technical, administrative or operational changes required to ensure the proper operation of a Successor Base Rate or to reflect the adoption of such Successor Base Rate in a manner substantially consistent with market practice ("**Base Rate Amendments**").

20.3.5 Provided that a Successor Base Rate, the applicable Adjustment Spread and any Base Rate Amendments have been finally decided no later than prior to the relevant Quotation Day in relation to the next succeeding Interest Period, they shall become effective from and including the commencement of the next succeeding Interest Period, always subject to any technical limitations of the CSD and any calculation methods applicable to such Successor Base Rate.

20.4 Interim Measures

20.4.1 If a Base Rate Event set out in any of the paragraphs (a) to (e) of the Base Rate Event definition has occurred but no Successor Base Rate and Adjustment Spread have been finally decided prior to the relevant Quotation Day in relation to the next succeeding Interest Period or if such Successor Base Rate and Adjustment Spread have been finally decided but due to technical limitations of the CSD, cannot be applied in relation to the relevant Quotation Day, the Interest Rate applicable to the next succeeding Interest Period shall be:

(a) if the previous Base Rate is available, determined pursuant to the terms that would apply to the determination of the Base Rate as if no Base Rate Event had occurred; or

(b) if the previous Base Rate is no longer available or cannot be used in accordance with applicable law or regulation, equal to the Interest Rate determined for the immediately preceding Interest Period.

20.4.2 For the avoidance of doubt, Clause 20.4.1 shall apply only to the relevant next succeeding Interest Period and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustments as provided in, Clause 20. This will however not limit the application of Clause 20.4.1 for any subsequent Interest Periods, should all relevant actions provided in Clause 20 have been taken, but without success.

20.5 Notices etc.

Prior to the Successor Base Rate, the applicable Adjustment Spread and any Base Rate Amendments become effective the Issuer shall promptly, following the final decision by the Independent Adviser of any Successor Base Rate, Adjustment Spread and any Base Rate Amendments, give notice thereof to the Agent, the Paying Agent and the Noteholders in accordance with these Terms and Conditions and the CSD Regulations. The notice shall also include information about the effective date of the amendments. If the Notes are admitted to trading on a stock exchange, the Issuer shall also give notice of the amendments to the relevant stock exchange.

20.6 Variation upon Replacement of Base Rate

20.6.1 No later than giving the Agent notice pursuant to Clause 20.5, the Issuer shall deliver to the Agent a certificate signed by the Independent Adviser and the CEO, CFO or any other duly authorised signatory of the Issuer (subject to Clause 20.3.3) confirming the relevant Successor Base Rate, the Adjustment Spread and any Base Rate Amendments, in each case as determined and decided in accordance with the provisions of Clause 20. The Successor Base Rate, the Adjustment Spread and any Base Rate Amendments (as applicable) specified in such certificate will, in the absence of manifest error or bad faith in any decision, be binding on the Issuer, the Agent, the Paying Agent and the Noteholders.

20.6.2 Subject to receipt by the Agent of the certificate referred to in Clause 20.6.1, the Issuer and the Agent shall, at the request and expense of the Issuer, without the requirement for any consent or approval of the Noteholders, without undue delay effect such amendments to the Finance Documents as may be required by the Issuer in order to give effect to Clause 20.

20.6.3 The Agent and the Paying Agent shall always be entitled to consult with external experts prior to amendments being effected pursuant to Clause 20. Neither the Agent nor the Paying Agent shall be obliged to concur if in the reasonable opinion of the Agent or the Paying Agent (as applicable), doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Agent or the Paying Agent in the Finance Documents.

20.7 Limitation of liability for the Independent Adviser

Any Independent Adviser appointed pursuant to Clause 20.3 shall not be liable whatsoever for damage or loss caused by any determination, action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Independent Adviser shall never be responsible for indirect or consequential loss.

21 THE AGENT

21.1 Appointment of the Agent

21.1.1 By subscribing for Notes, each initial Noteholder appoints the Agent to act as its agent in all matters relating to the Notes and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Notes held by such Noteholder, including the winding-up, dissolution, company reorganisation or resolution proceeding (or its equivalent in any other jurisdiction) of the Issuer and in relation to any mandatory exchange of the Notes for other securities (including, for the avoidance of doubt, a right for the Agent to subscribe for any such new securities on behalf of the relevant Noteholder). By acquiring Notes, each subsequent Noteholder confirms such appointment and authorisation for the Agent to act on its behalf.

21.1.2 Each Noteholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Noteholder which does not comply with such request.

21.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.

21.1.4 The Agent is entitled to fees for all its work in such capacity and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.

21.1.5 The Agent may act as agent or trustee for several issues of securities or other loans issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

21.2 Duties of the Agent

21.2.1 The Agent shall represent the Noteholders in accordance with the Finance Documents.

21.2.2 When acting pursuant to the Finance Documents, the Agent is always acting with binding effect on behalf of the Noteholders. The Agent is never acting as an advisor to the Noteholders or the Issuer. Any advice or opinion from the Agent does not bind the Noteholders or the Issuer.

21.2.3 When acting pursuant to the Finance Documents, the Agent shall carry out its duties with reasonable care and skill in a proficient and professional manner.

21.2.4 The Agent shall treat all Noteholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Noteholders as a group and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

21.2.5 The Agent is always entitled to delegate its duties to other professional parties and to engage external experts when carrying out its duties as agent, without having to first obtain any consent from the Noteholders or the Issuer. The Agent shall however remain liable for any actions of such parties if such parties are performing duties of the Agent under the Finance Documents.

21.2.6 The Issuer shall on demand by the Agent pay all costs for external experts engaged by it:

(a) after the occurrence of an Acceleration Event;

(b) for the purpose of investigating or considering:

(i) an event or circumstance which the Agent reasonably believes is or may lead to an Acceleration Event; or

(ii) a matter relating to the Issuer or the Finance Documents which the Agent reasonably believes may be detrimental to the interests of the Noteholders under the Finance Documents;

(c) in connection with any Noteholders' Meeting or Written Procedure; or

(d) in connection with any amendment (whether contemplated by the Finance Documents or not) or waiver under the Finance Documents.

Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 16 (*Distribution of proceeds*).

21.2.7 The Agent shall, as applicable, enter into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under the Finance Documents.

21.2.8 Other than as specifically set out in the Finance Documents, the Agent shall not be obliged to monitor:

(a) whether any Acceleration Event has occurred;

(b) the financial condition of the Issuer and the Group;

(c) the performance, default or any breach by the Issuer or any other party of its obligations under the Finance Documents; or

(d) whether any other event specified in any Finance Document has occurred or is expected to occur.

Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.

21.2.9 The Agent shall ensure that it receives evidence satisfactory to it that Finance Documents which are required to be delivered to the Agent are duly authorised and executed (as applicable). The Issuer shall promptly upon request provide the Agent with such documents and evidence as the Agent reasonably considers necessary for the purpose of being able to comply with this Clause 21.2.9. Other than as set out above, the Agent shall neither be liable to the Issuer or the Noteholders for damage due to any documents and information delivered to the Agent not being accurate, correct and complete, unless it has actual knowledge to the contrary, nor be liable for the content, validity, perfection or enforceability of such documents.

21.2.10 Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any regulation.

21.2.11 If in the Agent’s reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Noteholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.

21.2.12 The Agent shall give a notice to the Noteholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or if it refrains from acting for any reason described in Clause 21.2.11.

21.2.13 Upon the reasonable request by a Noteholder, the Agent shall promptly distribute to the Noteholders any information from such Noteholder which relates to the Notes (at the discretion of the Agent). The Agent may require that the requesting Noteholder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed. The Agent shall upon request by a Noteholder disclose the identity of any other Noteholder who has consented to the Agent in doing so.

21.2.14 Subject to the restrictions of a non-disclosure agreement entered into by the Agent in connection with these Terms and Conditions, the Agent shall be entitled to disclose to the Noteholders any document, information, event or circumstance directly or indirectly relating to the Issuer or the Notes. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Noteholders delay disclosure or refrain from disclosing certain information.

21.3 Liability for the Agent

21.3.1 The Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect or consequential loss.

21.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts provided to the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Noteholders to delay the action in order to first obtain instructions from the Noteholders.

21.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Noteholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

21.3.4 The Agent shall have no liability to the Issuer or the Noteholders for damage caused by the Agent acting in accordance with instructions of the Noteholders given in accordance with the Finance Documents.

21.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Noteholders under the Finance Documents.

21.4 Replacement of the Agent

21.4.1 Subject to Clause 21.4.6, the Agent may resign by giving notice to the Issuer and the Noteholders, in which case the Noteholders shall appoint a successor Agent at a Noteholders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.

21.4.2 Subject to Clause 21.4.6, if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

21.4.3 A Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice shall, if given by several Noteholders, be given by them jointly), require that a Noteholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a

Noteholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Noteholders that the Agent be dismissed and a new Agent appointed.

21.4.4 If the Noteholders have not appointed a successor Agent within ninety (90) days after:

(a) the earlier of the notice of resignation was given or the resignation otherwise took place; or

(b) the Agent was dismissed through a decision by the Noteholders,

the Issuer shall within thirty (30) days thereafter appoint a successor Agent which shall be an independent financial institution or other reputable company with the necessary resources to act as agent under debt issuances.

21.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

21.4.6 The Agent's resignation or dismissal shall only take effect upon the earlier of:

(a) the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent; and

(b) the period pursuant to paragraph (b) of Clause 21.4.4 having lapsed.

21.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Noteholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.

21.4.8 In the event that there is a change of the Agent in accordance with Clause 21.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agree otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

22 THE PAYING AGENT

22.1 The Issuer appoints the Paying Agent to manage certain specified tasks relating to the Notes, under these Terms and Conditions, in accordance with the legislation, rules and regulations applicable to the Issuer, the Notes and/or under the CSD Regulations.

22.2 The Paying Agent may retire from its appointment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Paying Agent at the same time as the old Paying Agent retires or is dismissed. If the Paying Agent is Insolvent, the Issuer shall immediately appoint a new

Paying Agent, which shall replace the old Paying Agent as paying agent in accordance with these Terms and Conditions.

22.3 The Paying Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its gross negligence or wilful misconduct. The Paying Agent shall never be responsible for indirect or consequential loss.

23 THE CSD

23.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the CSD Regulations and the other regulations applicable to the Notes.

23.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Noteholder or any admission to trading of the Notes. The replacing CSD must be authorised to professionally conduct clearing operations and be authorised as a central securities depository in accordance with the Financial Instruments Accounts Act.

24 NO DIRECT ACTIONS BY NOTEHOLDERS

24.1 A Noteholder may not take any action or legal steps whatsoever against any Group Company to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, company reorganisation or resolution proceeding (or their equivalents in any other jurisdiction) of any Group Company in relation to any of the obligations or liabilities of such Group Company under the Finance Documents. Such steps may only be taken by the Agent.

24.2 Clause 24.1 shall not apply if the Agent has been instructed by the Noteholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Noteholder to provide documents in accordance with Clause 21.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause 21.2.11, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 21.2.12 before a Noteholder may take any action referred to in Clause 24.1.

24.3 The provisions of Clause 24.1 shall not in any way limit an individual Noteholder's right to claim and enforce payments which are due by the Issuer to some but not all Noteholders.

25 TIME-BAR

25.1 The right to receive repayment of the principal of the Notes shall be time-barred and become void ten (10) years from the relevant Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be time-barred and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been time-barred and has become void.

25.2 If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (Sw. *preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Notes, and of three (3) years with respect to the right to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the time-bar period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

26 NOTICES

26.1 Notices

26.1.1 Any notice or other communication to be made under or in connection with the Finance Documents:

(a) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on the Business Day prior to dispatch or to such address as notified by the Agent to the Issuer from time to time or, if sent by e-mail by the Issuer, to such e-mail address as notified by the Agent to the Issuer from time to time;

(b) if to the Issuer, shall be given at the address registered with the Register of Enterprises at the Directorate of Internal Revenue (Icel. Skatturinn) on the Business Day prior to dispatch or to such address as notified by the Issuer to the Agent by not less than five (5) Business Days' notice from time to time, or, if sent by e-mail by the Agent, to such e-mail address as notified by the Issuer to the Agent from time to time; and

(c) if to the Noteholders, shall be given at their addresses as registered with the CSD, on the date such person shall be a Noteholder in order to receive the communication or if such date is not specified, on the Business Day prior to dispatch, and by either courier delivery (if practically possible) or letter for all Noteholders. A notice to the Noteholders shall also be published on the websites of the Issuer and the Agent.

26.1.2 Any notice or other communication made by one Person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter (or, if between the Agent and the Issuer, by e-mail) and will only be effective:

(a) in case of courier or personal delivery, when it has been left at the address specified in Clause 26.1.1;

(b) in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 26.1.1; or

(c) in case of e-mail to the Agent or the Issuer, when received in legible form by the e-mail address specified in Clause 26.1.1, and any such notice shall be made in English.

26.1.3 Failure to send a notice or other communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

27 FORCE MAJEURE

27.1 Neither the Agent nor the Paying Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade, natural disaster, insurrection, civil commotion, terrorism or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Paying Agent itself takes such measures, or is subject to such measures.

27.2 Should a Force Majeure Event arise which prevents the Agent or the Paying Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.

27.3 The provisions in Clause 27 apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act, in which case the provisions of the Financial Instruments Accounts Act shall take precedence.

28 GOVERNING LAW AND JURISDICTION

28.1 These Terms and Conditions, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden, save that Section 2 insofar relating to the subordination of the Notes, Section 3, insofar relating to the Solvency Condition and Section 15 insofar relating to set-off ("**Excluded Matters**"), shall be governed by, and construed in accordance with, the laws of Iceland.

28.2 28.2 The Issuer submits to the non-exclusive jurisdiction of the District Court of Stockholm (Sw. *Stockholms tingsrätt*), other than in relation to Excluded Matters in respect of which the courts of Iceland shall have jurisdiction.

ADDRESSES

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