

Supplement to Base Prospectus dated 6 September 2022



ÍSLANDBANKI HF.

(incorporated with limited liability in Iceland)

€2,500,000,000 Covered Bond Programme

This Supplement (the **Supplement**) to the base prospectus dated 8 April 2022, which comprises a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Regulation (as defined below) constitutes a supplementary prospectus for the purposes of Article 23 of the Prospectus Regulation and is prepared in connection with the €2,500,000,000 Covered Bond Programme (the **Programme**) under which Íslandsbanki hf. (the **Issuer**) may from time to time issue covered bonds (the **Covered Bonds**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement. When used in this Supplement, **Prospectus Regulation** means Regulation (EU) 2017/1129.

This Supplement has been approved by the Central Bank of Ireland (the **CBI**), as competent authority under the Prospectus Regulation. The CBI only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of the Covered Bonds that are the subject of this Supplement. Investors should make their own assessment as to the suitability of investing in the Covered Bonds.

This Supplement is supplemental to, and shall be read in conjunction with, the Base Prospectus. To the extent that there is any inconsistency between any statement in, or incorporated by reference in, this Supplement and any other statement in, or incorporated by reference in, the Base Prospectus, the statements in, or incorporated by reference in, this Supplement will prevail.

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

Purpose of this Supplement

The purpose of this Supplement is to:

- a) update the “Risk Factors” section of the Base Prospectus in respect of changes related to the prospective implementation of Directive (EU) 2019/2162 (the **Covered Bond Directive**) and Regulation (EU) 2019/2160 (collectively, the **EU Covered Bond Rules**) into Icelandic law;
- b) update the “Documents Incorporated by Reference” section to incorporate by reference into the Base Prospectus the unaudited reviewed consolidated interim financial statements of the Issuer for the six months ended 30 June 2022;

- c) update the section of the Base Prospectus headed “*Terms and Conditions of the Covered Bonds*”; and
- d) update certain other parts of the Base Prospectus,

which are set out below.

a) The section entitled “*Risk Factors*” commencing on page 13 of the Base Prospectus is updated as follows:

- i. The seventh paragraph of the risk factor entitled “*Risks Relating to Capital and Other Regulatory Requirements of the Issuer*” (such risk factor commencing on page 21 of the Base Prospectus) shall be deleted and replaced with the following:

“It should also be noted that at the end of 2019, the European Parliament and the Council finalised the legislative package on covered bond reforms made up of a new covered bond directive (Directive (EU) 2019/2162) and a new regulation (Regulation (EU) 2019/2160) (together, the **EU Covered Bond Rules**), which entered into force on 7 January 2020 with the deadline for application of 8 July 2022 (both texts are marked EEA relevant and were incorporated into the Agreement on the EEA which entered into force on 1 January 1994 and was incorporated into Icelandic legislation with Act No. 2/1993 on European Economic Area (Icelandic: Lög um Evrópska efnahagssvæðið) (the **EEA Agreement**) on 12 July 2022). The EU Covered Bond Rules are due to be implemented in Iceland in due course. The new covered bond directive replaces article 52(4) of the UCITS Directive, establishes a revised common base-line for issue of covered bonds for European Union regulatory purposes (subject to various options that members states may choose to exercise when implementing the new directive through national laws). The new regulation will be directly applicable in the European Union from 8 July 2022 and it amends article 129 of the CRR (and certain related provisions) and further strengthens the criteria for covered bonds that benefit from preferential capital treatment under the CRR regime. Given that the aspects of the new regime will require transposition through Icelandic law and other national laws, the final position is not yet known. Investors should note that although the Issuer and the Fiscal Agent may agree to, amongst other things, modify the Covered Bonds in order to comply with the provisions of the EU Covered Bond Rules as implemented into Icelandic law (as to which investors should refer to “*The Terms and Conditions of the Covered Bonds contain provisions which may permit their modification without the consent of all investors*”), such modifications may not actually result in the Covered Bonds being in compliance with the EU Covered Bond Rules as implemented into Icelandic law (or, for the avoidance of doubt, the Act on Covered Bonds). Therefore, there can be no assurances or predictions made as to the precise effect of the new regime on the Covered Bonds.”

- ii. The risk factor entitled “*The Terms and Conditions of the Covered Bonds contain provisions which may permit their modification without the consent of all investors*” (in the section entitled “*Risks relating to the Covered Bonds issued by the Issuer*”) commencing on page 38 of the Base Prospectus shall be deleted and replaced with the following:

“*The Terms and Conditions of the Covered Bonds contain provisions which may permit their modification without the consent of all investors*”

The Terms and Conditions of the Covered Bonds contain provisions for calling meetings of Covered Bondholders (including by way of conference call or by use of a

videoconference platform) to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Covered Bondholders including Covered Bondholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Covered Bondholders who voted in a manner contrary to the majority.

In the case of Covered Bonds other than CSD Covered Bonds, the Fiscal Agent and the Issuer may agree, without the consent of any of the Covered Bondholders or Couponholders, to any modification of the Covered Bonds, the Coupons, the Deed of Covenant or the Agency Agreement (as defined under “*Terms and Conditions of the Covered Bonds*”) which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law or to comply with the provisions of the EU Covered Bond Rules as such may be implemented into Icelandic law and/or to comply with the provisions of the Act on Covered Bonds. Such modifications may include (but shall not necessarily be limited to) the modifying of extension provisions and/or triggers under Condition 9.11 (*Extension of Maturity Date*). Covered Bondholders should therefore be aware, for instance, that the provisions of Condition 9.11 (*Extension of Maturity Date*) (as well as any other Condition) may be amended without their consent in accordance with Condition 16 (*Meetings of Covered Bondholders, Modification and Waiver*) and any provisions governing maturity extension of the Covered Bonds may be substantially different following such modification. Investors should consult their professional advisers in respect of such matters prior to purchasing any Covered Bonds.

In the case of CSD Covered Bonds, the Fiscal Agent (insofar as the relevant modification relates to the Agency Agreement) and the Issuer may agree, without the consent of any of the Covered Bondholders, to any modification of the CSD Covered Bonds (as defined under “*Terms and Conditions of the Covered Bonds*”) or the Agency Agreement (insofar as the relevant modification to the Agency Agreement relates to the CSD Covered Bonds) on the same basis.

Any such modification will be binding on all the Covered Bondholders of the relevant Series of Covered Bonds.”

b) The section entitled “*Documents Incorporated by Reference*” on page 51 of the Base Prospectus is updated as follows:

The following documents, each of which has previously been published and has been filed with the Central Bank of Ireland, shall be incorporated in, and form part of, the Base Prospectus:

- (i) the unaudited reviewed consolidated financial statements of the Issuer for the six months ended 30 June 2022 which are provided on pages 5 to 56 (inclusive) of the Condensed Consolidated Interim Financial Statements – First half 2022 which can be viewed online at: https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_Condensed_Consolidated_Interim_Financial_Statements_first_half_2022.pdf.

c) **The section entitled “*Terms and Conditions of the Covered Bonds*” commencing on page 88 of the Base Prospectus is updated as follows:**

- i. The fifth paragraph of Condition 16.1 (Covered Bonds other than CSD Covered Bonds) (such fifth paragraph being on page 133 of the Base Prospectus) shall be deleted and replaced with the following:

“The Fiscal Agent and the Issuer may agree, without the consent of the Covered Bondholders or Couponholders, to any modification of the Covered Bonds, the Coupons, the Deed of Covenant or the Agency Agreement which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law or to comply with the provisions of Directive (EU) 2019/2162 and Regulation (EU) 2019/2160 (collectively, the **EU Covered Bond Rules**) as such may be implemented into Icelandic law and/or to comply with the provisions of the Act on Covered Bonds.”

- ii. The fifth paragraph of Condition 16.2 (CSD Covered Bonds) (such fifth paragraph being on page 134 of the Base Prospectus) shall be deleted and replaced with the following:

“The CSD Agent, the Fiscal Agent (insofar as the relevant modification relates to the Agency Agreement) and the Issuer may agree without the consent of any of the Covered Bondholders, to any modification of the CSD Covered Bonds or the Agency Agreement (insofar as the relevant modification to the Agency Agreement relates to the CSD Covered Bonds) which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law or to comply with the EU Covered Bond Rules as such may be implemented into Icelandic law and/or to comply with the provisions of the Act on Covered Bonds.”

d) **The section entitled “*Subscription and Sale and Selling Restrictions*” commencing on page 189 of the Base Prospectus is updated as follows:**

The paragraph entitled “Republic of Italy” on page 194 of the Base Prospectus shall be deleted and replaced with the following:

“*Republic of Italy*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of the Covered Bonds has not been registered with *Commissione Nazionale per le Società e la Borsa (CONSOB)* pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and/or Italian CONSOB regulations; or
- (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of the Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under paragraph (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time), Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**), and any other applicable laws and regulations; and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.”

e) **The section entitled “General Information” commencing on page 195 of the Base Prospectus is updated as follows:**

The paragraph under the heading “*Significant or Material Change*” on page 197 of the Base Prospectus shall be deleted and replaced with the following:

“There has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2022 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2021.”

Statements contained in this Supplement (or contained in any document incorporated by reference herein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in the Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the Base Prospectus or this Supplement. Except as specifically incorporated by reference in this Supplement, information on any website referenced in this Supplement is not part of the Base Prospectus or this Supplement.

Copies of this Supplement and the documents incorporated by reference in this Supplement will be available for inspection at <https://www.islandsbanki.is/en/product/about/funding>. In addition, a copy of the Supplement will be published on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin>.

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

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

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