

Supplement to Base Prospectus dated 10 June 2024



ÍSLANDBANKI HF.

(incorporated with limited liability in Iceland)

€4,000,000,000

European Covered Bond (Premium) Programme

This Supplement (the **Supplement**) to the base prospectus dated 3 May 2024 (together, 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 €4,000,000,000 European Covered Bond (Premium) 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 (as amended).

Purpose of this Supplement

The purpose of this Supplement is to update disclosure on page 195 of the Base Prospectus regarding (i) litigation relating to certain provisions of certain residential mortgages and (ii) an onsite inspection of the Issuer's anti-money laundering (**AML**) control framework conducted by the Financial Supervisory Authority of the Central Bank of Iceland (**FSA**).

This Supplement has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Regulation. The Central Bank of Ireland 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 this Supplement and any other statement in the Base Prospectus, the statements 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.

General Information – Litigation

The disclosure under the heading “The Consumers' Association of Iceland” appearing on pages 194-195 of the Base Prospectus shall be amended by replacing the last sentence of the fourth paragraph with the following:

On 23 May 2024, the EFTA Court issued a ruling giving its advisory opinion. The advisory opinion entailed the EFTA Court’s interpretation of certain provisions of the Mortgage Credit Directive no. 2014/17/EU (the **Mortgage Credit Directive**). The advisory opinion concluded that the requirements of Article 24 of the Mortgage Credit Directive as to clarity, accessibility, objectivity, and verifiability apply whenever an index or a reference rate is used to calculate the borrowing rate. Furthermore, the advisory opinion concluded that contract terms and information provided to a consumer should be formally and grammatically intelligible and enable the consumer to understand the methods used for determining interest rates and evaluate the economic consequences of the contract for him or her. The EFTA Court’s decision did not conclude that the Issuer’s provision on interest rate changes in housing mortgages is against the aforementioned requirements. The EFTA Court’s advisory opinion also included an interpretation of Directive 93/13/EEC on unfair terms in consumer contracts (the **Unfair Terms Directive**). The advisory opinion noted that this the Unfair Terms Directive provides for detailed disclosure requirements and clear, objective and intelligible criteria, so that the consumer can assess the consequences of terms concerning financial obligations.

The EFTA Court concluded that it is for Icelandic courts to determine and to evaluate the impact if these requirements are not met. It is the Issuer’s opinion that those requirements, as well as the requirements of Icelandic legislation, are met. Following the publication of the EFTA Court’s advisory opinion the proceedings of the court case in question will continue with the district court.

The disclosure under the heading “Onsite inspection by the Financial Supervisory Authority of the Central Bank of Iceland into the Issuer’s anti-money laundering measures” appearing on page 195 of the Base Prospectus shall be amended as follows:

The FSA carried out an onsite inspection in the third quarter of 2022 in relation to the Issuer’s AML control framework pursuant to Act no. 140/2018 on Measures Against Money Laundering and Terrorist Financing, following which the FSA identified certain shortcomings in relation to the Bank’s AML measures.

On 31 May 2024, the Issuer announced that its Board of Directors had decided to accept the FSA’s offer to conclude the matter with a settlement agreement (the **Settlement Agreement**). The Settlement Agreement provided that the Issuer accepted the FSA’s conclusion that the Issuer’s shortcomings were many and related to various fundamentals in the Issuer’s AML control framework. Further, the breaches were deemed significant and to some extent a reiteration of previous FSA observations in 2021. By entering into the Settlement Agreement, the Issuer committed to carrying out appropriate remedial actions.

The breaches concerned the Issuer’s risk assessment framework, the risk assessment framework for individual customers and transactions as well as the performance of customer due diligence, performance of due diligence on international financial services firms, performance of enhanced due diligence and regular monitoring of transactions and customers, including traceability of cash transactions.

The Issuer will record a charge of ISK 470 million in the second quarter of 2024 in relation to this matter and had previously made a provision of ISK 100 million in its 2023 annual accounts. The FSA will publish the Settlement Agreement on its website.

The Issuer agrees on the importance of AML and emphasises robust AML measures. The Issuer has carried out extensive remedies with support from an international advisory firm where the Issuer’s governance and internal procedures have been reviewed and strengthened. Significant investments have been made within the Issuer’s AML infrastructure and related technical solutions in addition to heightened focus from the Issuer’s management. The Issuer is committed to further strengthen and develop its AML control framework.

Any information contained in or accessible through any website does not form a part of the Base Prospectus, unless specifically stated in the Base Prospectus, in any supplement hereto or in any document incorporated or deemed to be

incorporated by reference in this Base Prospectus that all or any portion of such information is incorporated by reference in the Base Prospectus.

Statements contained in this Supplement 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. Information on any website referenced in this Supplement is not part of the Base Prospectus or this Supplement.

Copies of 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/product/bonds-detail/20480/documents>.

Save as disclosed in this Supplement, no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since 3 May 2024.

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.