



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 15 April 2025, as supplemented by the supplements thereto dated 12 May 2025 and 22 May 2025, which together comprise a base prospectus (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** or the **Bank**) 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 (i) insert a new “Recent Developments” subsection and (ii) update the “General Information-Litigation” subsection.

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.

Description of the Issuer

The following new section shall be inserted immediately following the section under the heading “Description of the Issuer-Organisational Structure” beginning on page 147 of the Base Prospectus:

“Recent Developments

On 6 October 2025, the Bank 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 Bank, and Skagi's shareholders will receive a total of 323,859,440 new shares of the Bank 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.”

General Information-Litigation

The section under the heading “Litigation-The Consumers' Association of Iceland” beginning on page 192 of the Base Prospectus shall be amended to state:

“In December 2021 three customers, sponsored by the Consumers' Association of Iceland, commenced litigation against the Bank, 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 Bank to reset interest rates. Following that judgement, the Bank repaid its customers any interest that the Bank 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 Bank's portfolio of loans and fully paid loans that contained the resetting provision, disputed in case no. 623/2016. The Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank's loan portfolio of non-index linked mortgages bearing variable interest rates. The ruling clarifies that the Bank'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 Bank's interest rate adjustments, the Bank 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 Bank's best estimate, at this point in time, is that the potential impact of unfavourable court rulings affecting the Bank'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 Bank has not recognised a provision in relation to the matter.”

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 or automatically incorporated in this Base Prospectus upon publication on <https://www.islandsbanki.is/en/landing/about/financials>, 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 22 May 2025.

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.