

## SUPPLEMENT DATED 6 JULY 2021 TO THE BASE PROSPECTUS DATED 6 AUGUST 2020



### **Arion Bank hf.**

*(Incorporated with limited liability in Iceland)*

**€3,000,000,000**

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

This Supplement (the **Supplement**) to the base prospectus dated 6 August 2020, as supplemented by the supplement dated 16 November 2020 (as so supplemented, the **Base Prospectus**) which comprises a base prospectus for the purposes of the Prospectus Regulation constitutes a supplement to the prospectus for the purposes of Article 23(1) of the Prospectus Regulation and is prepared in connection with the €3,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by Arion Bank hf. (the **Bank**). 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 *Commission de Surveillance du Secteur Financier* (the **CSSF**) of the Grand Duchy of Luxembourg in its capacity as competent authority under the Prospectus Regulation has approved this Supplement as a supplement within the meaning of Article 23(1) of the Prospectus Regulation. The CSSF only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Bank or of the quality of the Notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Bank from time to time.

The Bank accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Bank 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 the Supplement**

The purpose of this supplement is to (i) incorporate by reference specified pages of the 2020 Year End Financial Statements and the 2020 Year End Factbook; (ii) incorporate by reference specified pages of the Q1 2021 Interim Financial Statements and the Q1 2021 Factbook into the Base Prospectus; (iii) update the “Key Financial Indicators” section of the Base Prospectus; (iv) add new risk factors headed “*Judgments entered against Icelandic entities in the courts of a state which is not a party to the Lugano Convention (including, as at 6 July 2021, the UK) may not be recognised or enforceable in Iceland*” and “*The application of the net proceeds of Green Notes as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investor’s investment criteria*”; (v) update the “Use of Proceeds” section of the Base Prospectus; (vi) update the “Recent Developments” and “Documents on Display” sections of the Base Prospectus; (vii) include a new “Significant or Material Change” statement and (viii) update certain information in the Base Prospectus to reflect the end of the Brexit transition period on 31 December 2020 at 11.00 pm.

### **Audited Consolidated Annual Financial Statements for the financial year ended 31 December 2020**

The section entitled "*Documents Incorporated by Reference*" on pages 51 to 53 of the Base Prospectus shall be updated as set out below.

On 10 February 2021 the Bank published its audited consolidated annual financial statements (including the auditor's report thereon) for the financial year ended 31 December 2020 (the **2020 Year End Financial Statements**), together with the "Arion Bank Factbook – 31 December 2020" (the **2020 Year End Factbook**).

A copy of each of the 2020 Year End Financial Statements and 2020 Year End Factbook has been filed with the *Commission de Surveillance du Secteur Financier*.

By virtue of this Supplement, the following information contained in the 2020 Year End Financial Statements, and set out at the pages below, is incorporated by reference in, and form part of, the Base Prospectus (available at: <https://wwwv2.arionbanki.is/library/skrar/English/About-the-Bank/Investor-Relations/Financial-information/Financial-Statements/2020/Arion%20Bank%20Consolidated%20Financial%20Statements%202020.pdf>):

Independent Auditors' Report .....	Pages 9 to 11
Consolidated Income Statement.....	Page 12
Consolidated Statement of Comprehensive Income.....	Page 13
Consolidated Statement of Financial Position .....	Page 14
Consolidated Statement of Changes in Equity.....	Pages 15 to 16
Consolidated Statement of Cash Flows....	Page 17
Notes.....	Pages 18 to 90

The non-incorporated parts of the 2020 Year End Financial Statements which, for the avoidance of doubt, are not included in the cross-reference list above, are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

By virtue of this Supplement, the following information contained in the 2020 Year End Factbook, and set out at the pages below, is incorporated by reference in, and form part of, the Base Prospectus (available at: <https://wwwv2.arionbanki.is/library/skrar/English/About-the-Bank/Investor-Relations/Financial-information/Financial-Statements/2020/Arion%20Bank%20-%20Q4%202020%20Factbook.pdf>):

KFI - 5 years.....	Page 2
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### **Unaudited Interim Consolidated Financial Statements for the nine month period ended 31 March 2021**

The section entitled "*Documents Incorporated by Reference*" on pages 51 to 53 of the Base Prospectus shall be updated as set out below.

On 5 May 2021 the Bank published its unaudited interim consolidated financial statements for the three month period ended 31 March 2021 (the **Q1 2021 Interim Financial Statements**), together with the "Arion Bank Factbook – 31 March 2021" (the **Q1 2021 Factbook**).

A copy of each of the Q1 2021 Interim Financial Statements and the Q1 2021 Factbook has been filed with the *Commission de Surveillance du Secteur Financier*.

By virtue of this Supplement, the following information contained in the Q1 2021 Interim Financial Statements, and set out at the pages below, is incorporated by reference in, and form part of, the Base Prospectus (available at: <https://wwwv2.arionbanki.is/library/skrar/English/About-the-Bank/Investor-Relations/Financial-information/Financial-Statements/2021/Arion%20Bank%20Condensed%20Consolidated%20Interim%20Financial%20Statements%2031.03.2021.pdf>):

Consolidated Interim Income Statement.....	Page 7
Consolidated Interim Statement of Comprehensive Income.....	Page 8
Consolidated Interim Statement of Financial Position.....	Page 9
Consolidated Interim Statement of Changes in Equity.....	Pages 10 to 11
Consolidated Interim Statement of Cash Flows.....	Page 12
Notes .....	Pages 13 to 66

The non-incorporated parts of the Q1 2021 Interim Financial Statements which, for the avoidance of doubt, are not included in the cross-reference list above, are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

By virtue of this Supplement, the following information contained in the Q1 2021 Factbook, and set out at the pages below, is incorporated by reference in, and form part of, the Base Prospectus (available at: <https://wwwv2.arionbanki.is/library/skrar/English/About-the-Bank/Investor-Relations/Financial-information/Financial-Statements/2021/Arion%20Bank%20-%20Q1%202021%20Factbook.pdf>):

KFI - 5 years.....	Page 2
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The non-incorporated parts of the Q1 2021 Factbook which, for the avoidance of doubt, are not included in the cross-reference list above, are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

A copy of this Supplement may be obtained from <https://www.arionbanki.is/english/about-us/investor-relations/debt-investors/funding-programmes-and-prospectuses/#Tab1>. A copy of this Supplement may also be obtained from the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu). Copies of all documents incorporated by reference in the Base Prospectus and in the Supplement can be obtained from the

Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu). Copies of documents incorporated by reference in the Base Prospectus can be viewed electronically free of charge at <https://www.arionbanki.is/>.

## Key Financial Indicators

By virtue of this Supplement, the table on page 129 of the Base Prospectus containing certain of the Bank's key financial indicators for the six month period 30 June 2020 and for the years ended 31 December 2019 and 31 December 2018 is replaced by the following table containing certain of the Bank's key financial indicators for the three month period ended 31 March 2021 and for the years ended 31 December 2020 and 31 December 2019.

The following table includes certain of the Bank's key financial indicators for the three month period ended 31 March 2021 and for the years ended 31 December 2020 and 2019. This information should not be considered in isolation from, or as a substitute for, financial information presented in the Q1 2020 Interim Financial Statements or the 2020 Year End Financial Statements (each of which is incorporated by reference into the Base Prospectus) and should be read in conjunction with the Q1 2021 Interim Financial Statements and the 2020 Year End Financial Statements, as applicable.

	<b>As of and for the nine month period ended</b>	<b>As of and for the year ended</b>	
	<b>31 March 2021</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
	%	%	%
<b>Profitability</b>			
Return on equity <sup>1</sup> .....	12.5	6.5	0.6
Return on assets <sup>2</sup> .....	2.1	1.1	0.1
Return on risk-weighted assets <sup>3</sup> .....	3.2	1.7	0.1
<b>Net interest margin</b>			
Net interest margin on interest bearing assets <sup>4</sup> .....	2.7	2.9	2.8
Net interest margin on total assets <sup>5</sup> .....	2.5	2.7	2.6
<b>Efficiency</b>			

<sup>1</sup> Return on equity is net earnings for the period as a percentage of average total equity (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Return on equity is used as an alternative measure of performance of the Bank based on returns generated relative to equity and is a measure of the profits generated by the Bank from the equity of its shareholders. The higher this figure, the greater the profits of shareholders relative to their equity for the relevant period.

<sup>2</sup> Return on assets is net earnings for the period as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Return on assets is used as an alternative measure of performance of the Bank based on returns generated relative to total assets and is a measure of the profits generated by the Bank from its assets. The higher this figure, the greater the profits from the Bank's assets for the relevant period.

<sup>3</sup> Return on risk-weighted assets is net earnings for the period as a percentage of average risk-weighted assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). For the calculation of risk-weighted assets see Note 45 of the 2020 Consolidated Financial Statements. Return on risk-weighted assets is used as an alternative measure of performance of the Bank based on returns generated relative to risk-weighted assets and is a measure of the profits generated by the Bank from its risk-weighted assets (which is a prudential measure by which the assets of the Bank are adjusted to give different weight to certain risk based considerations as a means to assess those assets relative to such risks). The higher this figure, the greater the profits from the Bank's risk-weighted assets for the relevant period, which can then be compared to return on assets above to assess the risk based return of the Bank relative to the total asset return.

<sup>4</sup> Net interest margin on interest bearing assets is interest income on interest bearing assets less interest expense (i.e. net interest income) as a percentage of average interest bearing assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Net interest income was ISK 7,342 million for the three month period ended 31 March 2021 and ISK 31,158 million and ISK 30,317 million for the years ended 31 December 2020 and 2019, respectively. "Interest bearing assets" means the sum of cash and balances with Central Bank, loans to credit institutions, loans to customers and interest bearing financial instruments (which is made up of bonds and debt instruments (ISK 124,816 million as at 31 March 2021, ISK 157,744 million as at 31 December 2020 and ISK 65,874 million as at 31 December 2019), derivatives (ISK 4,569 million as at 31 March 2021, ISK 7,284 million as at 31 December 2020 and ISK 6,617 million as at 31 December 2019) and listed bonds and debt instruments used for economic hedging (ISK 24,962 million as at 30 March 2021, ISK 27,215 million as at 31 December 2020 and ISK 10,852 million as at 31 December 2019). See Note 21 of the Q1 2021 Interim Financial Statements and Note 23 of the 2020 Year End Financial Statements). Net interest margin on interest-earning assets is used as an alternative measure of performance of the Bank based on the Bank's net interest margin relative to its interest-earning assets and is a measure of the difference in the interest income generated by the Bank's interest-earning assets and its interest expense by reference to the average interest-earning assets for the relevant period. The higher this figure, the greater the returns from the Bank's interest-earning assets for that period.

<sup>5</sup> Net interest margin on total assets is net interest income as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Net interest margin on total assets is used as an alternative measure of performance of the Bank based on the Bank's net interest margin relative to its total assets and is a measure of the difference in the interest income generated by the Bank's total assets and its interest expense by reference to the average total assets for the relevant period. The higher this figure, the greater the returns from the Bank's total assets for that period.

Cost-to-income ratio <sup>6</sup> .....	46.2	48.1	56.0
Cost-to-total assets ratio <sup>7</sup> .....	2.1	2.1	2.3

## Risk Factors

By virtue of this supplement:

- (a) the following shall be inserted as a new risk factor in the beginning of the section titled “*Risks applicable to all Notes*” on page 41 of the Base Prospectus:

***“Judgments entered against Icelandic entities in the courts of a state which is not a party to the Lugano Convention (including, as at 6 July 2021, the UK) may not be recognised or enforceable in Iceland***

A judgment entered against a company incorporated in Iceland in the courts of a state which is not a party to the Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters made in Lugano on 30 October 2007 (the **Lugano Convention**) as a Contracting State (as defined in the Lugano Convention), would not be recognised or enforceable in Iceland as a matter of law without a retrial on its merits (but will be of persuasive authority as a matter of evidence before the courts of law of Iceland). As at 6 July 2021, the UK and Iceland are not bound by any agreement, treaty or other instrument on mutual recognition and enforcement of judgments applicable in relation to the Notes. The United Kingdom has applied to re-accede to the Lugano Convention as an independent contracting state, but the other contracting states have, as at 6 July 2021, not approved the application. As a result, a final judgment in civil or commercial matters relating to the Notes obtained in the courts of England against the Bank, will, in principle, neither be recognised nor enforceable in Iceland. However, if a Noteholder brings a new action in a competent court in Iceland, the final judgment rendered in an English court may be submitted to the Icelandic court, but will only be regarded as evidence of the outcome of the dispute to which it relates, and the Icelandic court has full discretion to rehear the dispute ab initio. Any retrial on a judgment’s merits could therefore significantly delay or prevent the enforcement by Noteholders of the Bank’s obligations under the Notes.”; and

- (b) the following shall be inserted as a new risk factor prior to the section titled “*Risks related to Subordinated Notes*” on page 45 of the Base Prospectus:

***“Risk related to Green Notes***

***The application of the net proceeds of Green Notes as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investor’s investment criteria***

Prospective investors in any Notes where the “*Reasons for the Offer*” in Part B of the applicable Final Terms are stated to be for “green” purposes as described in “*Use of Proceeds*” below (**Green Notes**), should have regard to the information in “*Use of Proceeds*” regarding the use of the net proceeds of those Green Notes and must determine for themselves the relevance of such information for the purpose of any investment in such Green Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Bank or the Dealers that the use of such proceeds for any Eligible Assets (as defined in the “*Use of Proceeds*” section below) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as

<sup>6</sup> With respect to cost-to-income ratio, "cost" means salaries and related expense and other operating expense. "Income" means operating income. Cost-to-income ratio is used as an alternative measure of performance of the Bank based on the costs of the Bank relative to income generated and is a measure of the Bank’s costs as compared with its income. The lower this figure, the lower the Bank’s costs relative to its income.

<sup>7</sup> With respect to cost-to-total assets ratio, "cost" means salaries and related expense and other operating expense. "Total assets" means total assets of the Bank as set out in the financial statements of the Bank (calculated as the average of the opening, quarter-end and closing balances for the applicable period). Cost-to-total assets ratio is used as an alternative measure of performance of the Bank based on the costs of the Bank relative to its total assets and is a measure of the Bank’s costs as compared with its total assets. The lower this figure, the lower the Bank’s costs relative to its total assets.

regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change.

A basis for the determination of such “green” project definition has been established in the European Union with the publication in the Official Journal of the EU on 22nd June, 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the **Sustainable Finance Taxonomy Regulation**) on the establishment of a framework to facilitate sustainable investment (the **EU Sustainable Finance Taxonomy**), which is subject to phased implementation. The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. In addition, Iceland is not directly subject to the Sustainable Finance Taxonomy Regulation and a full application of the Sustainable Finance Taxonomy Regulation in Iceland is not envisaged as at the date of this Offering Circular. Accordingly, alignment with the EU Sustainable Finance Taxonomy, once the technical screening criteria are established, is not certain and no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Assets will meet any or all investor expectations regarding such “green” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Assets. In addition, the criteria for what constitutes an Eligible Asset may be changed from time to time.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Bank) which may or may not be made available in connection with the issue of any Green Notes and in particular with any Eligible Assets to fulfil any environmental, sustainability and/or other criteria. Any such report, assessment, opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Bank, the Dealers or any other person to buy, sell or hold any such Green Notes. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in such Green Notes. Currently, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

In the event that any Green Notes are listed or admitted to trading on any dedicated “green”, “environmental”, “social” or “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Green Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Green Notes.

While it is the intention of the Bank to apply the net proceeds of any Green Notes and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in “*Use of Proceeds*”, there can be no assurance that the Bank will be able to do this. Nor can there be any assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Asset will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank.

Any such event or failure to apply the net proceeds of any issue of Green Notes for any Eligible Assets or to obtain and publish any such reports, assessments, opinions and certifications, will not constitute an event of default under the relevant Green Notes or give rise to any other claim of a holder of such Green Notes against the Bank. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Bank is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such Green Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of such Green Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.”.

#### **Update to Pro-forma Final Terms**

By virtue of this Supplement, item 4(i) in “Part B – Other Information” of the pro-forma Final Terms on page 66 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“(vii) Reasons for the Offer:

[The Notes are Green Notes as described, and as this term is defined, in the Offering Circular.][The net proceeds of the issue of the Notes will be used by the Bank to finance and/or refinance, in part or in full, new and/or existing [*description of relevant projects to be inserted*].][ ]

*(See [“Use of Proceeds”] wording in Base Prospectus – if reasons for offer are different from general corporate and there is a particular identified use of proceeds, this will need to be stated here.)”*

#### **Use of Proceeds**

By virtue of this Supplement, the “Use of Proceeds” section on page 104 of the Base Prospectus shall be deleted and replaced with the following:

“

#### **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Bank for its general corporate purposes, which include making a profit. In addition, where the Notes are stated to be “Green” Notes in “*Reasons for the Offer*” in Part B of the applicable Final Terms and it is stated that the proceeds from the issue of the Notes are intended to be used for “green” purposes as described in this “Use of Proceeds” section (**Green Notes**) the net proceeds from each such issue of Green Notes will be used as so described. If specified otherwise in the applicable Final Terms the net proceeds from the issue of the relevant Notes will be used as so specified.

For any Green Notes, an amount equivalent to the net proceeds from each issue of Green Notes will be used to finance or refinance Eligible Assets (as defined below and further described in the Bank's Green Financing Framework).

**Eligible Assets** are project finance loans, general corporate loans or any equity or own investments in tangible or intangible assets which fall in at least one of the Eligible Categories. In the case of general corporate loans, at least 90 per cent. of the turnover of the corporation needs to be attributable to Eligible Categories and fulfil the respective requirements.

Eligible Assets will explicitly exclude unfunded and non-performing exposures, as well as loans to businesses or projects in the following areas:

- Fossil fuel related energy generation and related infrastructure;
- Environmentally negative resource extraction (such as rare-earth elements, metals or fossil fuels);
- Nuclear and nuclear related technologies;
- Weapons, alcohol, tobacco, gambling, and adult entertainment;
- Deforestation and degradation of forests;
- Operations which practice shark finning or trade in shark fin products;
- Operations which practice drift net fishing or deep sea bottom trawling where prohibited;
- Fishing with the use of explosives or cyanide; and
- Illegal unreported and unregulated fishing, or use of vessels known to have conducted such unreported and unregulated fishing.

**Eligible Categories** means the categories identified by the Bank in its Green Financing Framework, including sustainable fishery/aquaculture, certified forest carbon projects and sustainable forestry, agriculture or horticulture, renewable energy projects, equipment, technology and processes towards clean transportation, construction of new buildings, operation of existing buildings or renovation of existing buildings (with a minimum energy efficiency upgrade), construction, implementation, maintenance and operation of facilities, infrastructure or appliances that reduce the use of energy, and technologies, processes and associated infrastructure supporting waste prevention, waste reduction, waste recycling as well as wastewater management.

**Green Financing Framework** means the Green Financing Framework (July 2021) of the Bank published on its [website](https://www.arionbanki.is/themes/arionbanki/arionbanki/documents/Frettir/Green%20Financing%20Framework%20Arion%20Bank.pdf) (<https://www.arionbanki.is/themes/arionbanki/arionbanki/documents/Frettir/Green%20Financing%20Framework%20Arion%20Bank.pdf>), including as amended, supplemented, restated or otherwise updated on such website from time to time, relating to the issuance of Green Financing Instruments.

**Green Financing Instruments** include, but are not limited to (covered) bonds (including any Green Notes), loans, commercial papers, repurchase agreements and deposits.

The Bank intends to allocate the net proceeds of any Green Notes to Eligible Assets within one year after the issuance of such Green Notes. The Bank will manage the proceeds of any Green Notes on a portfolio basis and the amount corresponding to the net proceeds of any Green Notes outstanding will be used to finance Arion Bank's green asset pool, as further described in the Green Financing Framework. Pending the application of any net proceeds of Green Notes in financing or refinancing the relevant Eligible Assets, such proceeds will be applied by the Bank, at its own discretion, towards its liquidity portfolio, consisting of cash and/or cash equivalents, and/or other liquid marketable instruments and the same exclusion criteria as specified above will apply for these temporary investments.

The Bank will endeavour, at any point in time, to maintain a green asset pool that is larger than the total net proceeds of all Green Financing Instruments outstanding. As at 30 June 2021, the size of the green asset pool is ISK 107 billion.



The Bank has obtained an independent second-party opinion from Cicero to confirm the validity of the Green Financing Framework prior the issuance of its first instrument under the Green Financing Framework. This independent second-party opinion is published on the Bank's website at <https://www.arionbanki.is/themes/arionbanki/arionbanki/documents/Frettir/Cicero%20SPO%20Arion%20Bank%20%20July%202021.pdf>.

In addition, the Bank intends to publish a Green Financing Report for so long as there is any Green Financing Instrument outstanding, which will be made available on the Bank's website at [www.arionbanki.is/ir](http://www.arionbanki.is/ir) at least on an annual basis.

The Bank also intends to appoint as a verifier to produce, on an annual basis and starting one year after the first issuance of a Green Instrument under the Green Financing Framework, a verification report on the allocation of the proceeds to Eligible Assets.

Neither the Green Financing Framework, nor any of the above reports, opinions or contents of any of the above websites are incorporated in or form part of this Base Prospectus.”

### **Update to Documents Available**

By virtue of this Supplement, the section titled ‘Documents Available’ under the heading ‘General Information’ on page 162 of the Base Prospectus shall be deemed to deleted and replaced with the following:

“For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection on the Bank's website at <https://www.arionbanki.is/english/about-us/investor-relations/debt-investors/funding-programmes-andprospectuses/#Tab1> (unless otherwise indicated):

- (a) the articles of association (with an English translation thereof) of the Bank;
- (b) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (c) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference;
- (d) the Green Financing Framework (available at: <https://www.arionbanki.is/english/about-us/media/news/2021/07/02/Arion-Bank-publishes-a-Green-Financing-Framework/>);
- (d) any Green Financing Report (available at: [www.arionbanki.is/ir](http://www.arionbanki.is/ir));
- (e) the second party opinion from Cicero (available at: <https://www.arionbanki.is/themes/arionbanki/arionbanki/documents/Frettir/Cicero%20SPO%20Arion%20Bank%20%20July%202021.pdf>); and
- (f) the Task Force on Climate-related Financial Disclosures (TCFD) analysis published by the Bank (available at: <https://wwwv2.arionbanki.is/library/skrar/Bankinn/Fjarfestatengsl/Skuldabref-fjarfesta/Green-bonds/TCFD%20Disclosures%20FY%202020.pdf>).”

### **Recent Developments**

By virtue of this Supplement, section entitled “Recent Developments” starting on page 127 of the Base Prospectus shall be deemed to deleted and replaced with the following:

#### **“Recent Developments**

The COVID-19 pandemic has had a significant impact on the Icelandic economy and in response the Icelandic government approved a 7-point plan on 10 March 2020. On 21 March 2020, it announced the first phase of response measures to mitigate the effects of the COVID-19 pandemic on Iceland's economy. The second and third phases were implemented on 21 April 2020 and 28 April 2020, respectively. The aim of the proposals is to mitigate the damage caused by mass lay-offs and mass insolvencies, thereby protecting workers' rights while fostering greater resilience in the economy as a whole. In addition, the Icelandic Central Bank lowered its interest rate to a record low of 0.75 per cent. on 18 November 2020 in a series of reductions from 3.00 per cent. on December 2019.

Iceland commenced a COVID-19 vaccination programme at the beginning of 2021 with the plan to vaccinate approximately 60 to 80 per cent. of the population who were born in 2005 or earlier by the beginning of July 2021. All targets have been met by the health authorities to date. It remains uncertain whether such vaccination programmes will be successful in achieving sufficient levels of immunity in the general population to prevent further outbreaks of COVID-19, including as a result of the emergence of vaccine-resistant strains. The recovery of the Icelandic economic from the impacts of the COVID-19 pandemic will also be dependent on the successful implementation of similar vaccination programmes in other countries.

The Bank reported net earnings of ISK 5,933 million from continuing operations for the three months ended 31 March 2020, compared to a net loss from continuing operations of ISK 1,282 million for the three months ended 31 March 2021. The Bank's net impairments for the three months ended 31 March 2021 were positive with net impairments of ISK 1,080 million as compared to ISK 2,860 million for the three months ended 31 March 2020. This was mainly due to the Bank reversing a part of its impairments. Previously impaired loans have been partially recovered, either through payments or due to an increase in collateral value. The COVID-19 pandemic is expected to continue to have a substantial effect on the Bank over the coming quarters. Given the ongoing economic uncertainty due to COVID-19 pandemic, further impairments cannot be excluded.

On 1 July 2021, Rapyd, a global Fintech-as-a-Service company, entered into a definitive agreement with the Bank to acquire Valitor. The purchase price for the transaction equals U.S.\$100 million or ISK 12.3 billion. The transaction is expected to close by the end of 2021 and is subject to regulatory approval. The transaction will have a positive impact on the Bank financially, as the Bank expects to recognise a net profit of approximately ISK 3.5 billion, which is the difference between the sale price and the company's book value, minus sales costs."

### **Updates to the Base Prospectus relating to the end of the Brexit transition period**

By virtue of this Supplement, the following amendments shall be made to the Base Prospectus:

- (c) the sentence "For these purposes, reference to the EEA includes the United Kingdom (the UK)" in the seventh paragraph on the cover page of the Base Prospectus, shall be deemed to be deleted;
- (d) the words "(and for these purposes, references to the EEA include the UK)" in the second paragraph on page 2 of the Base Prospectus, shall be deemed to be deleted;
- (e) the third and fourth paragraphs on page 2 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

"The Bank has been rated BBB by S&P Global Ratings Europe Limited (**S&P Ireland**). S&P Ireland is established in the EEA and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, S&P Ireland is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. The ratings issued by S&P Ireland have been endorsed by S&P Global Ratings UK Limited (**S&P UK**) in accordance with Regulation (EC) No. 1060/2009 as it forms part of United Kingdom (**UK**) domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the

**UK CRA Regulation**) and have not been withdrawn. S&P UK is established in the UK and is registered in accordance with the UK CRA Regulation. As such, the ratings issued by S&P Ireland may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. Notes issued under the Programme may be rated or unrated by the rating agency referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Interest amounts payable on Floating Rate Notes and Fixed Reset Notes may be calculated by reference to one of EURIBOR, NIBOR, STIBOR, REIBOR or CIBOR, as specified in the relevant Final Terms. As at the date of this Base Prospectus, (i) European Money Markets Institute (the administrator of EURIBOR) and Danish Financial Benchmark Facility ApS (the administrator of CIBOR) are included in ESMA's register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the **EU Benchmarks Regulation**) but not the register of administrators of the UK Financial Conduct Authority (the **UK FCA**) under Article 36 of Regulation (EU) No 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) and (ii) Norske Finansielle Referanser AS (the administrator of NIBOR), Swedish Financial Benchmark Facility (the administrator of STIBOR) and the Central Bank of Iceland (the administrator of REIBOR) are not included in the EU Benchmarks Register or the UK Benchmarks Register. As far as the Bank is aware, REIBOR does not fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of each such regulation and otherwise the transitional provisions in Article 51 of each of the EU Benchmarks Regulation and the UK Benchmarks Regulation apply, such that neither Norske Finansielle Referanser AS, nor Swedish Financial Benchmark Facility are currently required to obtain authorisation/registration in the EU or the UK and none of the other administrators are currently required to obtain authorisation/registration in the EU or the UK, as applicable (or, in each case, if located outside the EU and/or the UK, respectively, recognition, endorsement or equivalence).”

- (f) the words “and (for these purposes) the UK)” in the first paragraph on page 5 of the Base Prospectus, shall be deemed to be deleted;
- (g) the second paragraph on page 5 of the Base Prospectus under the heading “**IMPORTANT – EEA AND UK RETAIL INVESTORS**” shall be deemed to be deleted and replaced with the following:

“ **IMPORTANT – EEA RETAIL INVESTORS**

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

**IMPORTANT – UK RETAIL INVESTORS**

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these

purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.”;

- (h) the following paragraph shall be deemed to be inserted immediately after the fourth paragraph on page 5 of the Base Prospectus:

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

The Final Terms in respect of any Notes will include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

- (i) the last paragraph on page 5 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“This Base Prospectus has been prepared on the basis that any Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) will (i) only be admitted to trading on an EEA regulated market (as defined in MiFID II), or a specific segment of an EEA regulated market, to which only qualified investors (as defined in the Prospectus Regulation) can have access (in which case they shall not be offered or sold to non-qualified investors) or (ii) only be offered to the public in an EEA Member State pursuant to an exemption under Article 1(4) of the Prospectus Regulation. Furthermore, this Offering Circular has been prepared on the basis that any Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) will with respect to the United Kingdom only be offered to the public pursuant to an exemption under section 86 of the FSMA.”;

- (j) the sixth paragraph on page 9 of the Base Prospectus stating “the EEA and the European Union include the UK” shall be deemed to be deleted;
- (k) the words “and (for these purposes) the UK)” in the third paragraph on page 17 of the Base Prospectus under the heading “Selling Restrictions”, shall be deemed to be deleted;
- (l) the fourth and fifth paragraphs of the risk factor headed “*Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes or Fixed Reset Notes which reference LIBOR, and*

*other regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks" starting on page 48 of the Base Prospectus shall be deemed to be deleted and replaced with the following:*

“The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-European Union based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by European Union supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation, among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK FCA or registered on the UK FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

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

- (m) the seventh paragraph of the risk factor headed “*Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes or Fixed Reset Notes which reference LIBOR, and other regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks" starting on page 48 of the Base Prospectus shall be deemed to be deleted and replaced with the following:*

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

- (n) the second paragraph of the risk factor headed “*Credit ratings assigned to the Bank or any Notes may not reflect all the risks associated with an investment in those Notes*” on page 50 of the Base Prospectus shall be deemed to be deleted and replaced with the following:

“In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a

credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.”;

- (o) the first paragraph in the pro-forma Final Terms on page 56 of the Base Prospectus shall be deemed to deleted and replaced with the following:

**“PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA**). For these purposes, a

retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

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

- (p) the following paragraph shall be deemed to be inserted in the pro-forma Final Terms on page 56 of the Base Prospectus immediately following the paragraph headed “**MIFID II product governance / Professional investors and ECPs only target market**”:

“<sup>3</sup>**UK MIFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of [United Kingdom/UK] domestic law by virtue of the European Union (Withdrawal) Act 2018 (UK MiFIR); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]<sup>4</sup>. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]”;

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

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

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

- (q) the words “(and, for these purposes, reference to the [European Economic Area/EEA] includes the [United Kingdom (the **UK**)]~~[UK]~~)” in the paragraph above the heading “PART A – CONTRACTUAL TERMS” on page 57 of the pro-forma Final Terms shall be deemed to be deleted;
- (r) the fourth paragraph of the item headed “Ratings” in “Part B – Other Information” of the pro-forma Final Terms on page 65 of the Base Prospectus shall be deemed to be deleted and replaced with the following:
 

“[Each of *defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]”;
- (s) item 7(vii) in “Part B – Other Information” of the pro-forma Final Terms on page 67 of the Base Prospectus shall be deemed to be deleted and replaced with the following, and the remaining subparagraphs in item 7 renumbered accordingly:
- (t) item 7(ix) in “Part B – Other Information” of the pro-forma Final Terms on page 67 of the Base Prospectus shall be deemed to be deleted and replaced with the following, and the remaining subparagraphs in item 7 renumbered accordingly:

“(vii) Relevant Benchmark:

[[LIBOR/EURIBOR/NIBOR/STIBOR/REIBOR/CIBOR/[ ]] is provided by [ICE Benchmark Administration Limited/European Money Markets Institute/Norske Finansielle Referanser AS/Swedish Financial Benchmark Facility/Central Bank of Iceland/Danish Financial Benchmark Facility ApS/[ ]]. As at the date hereof, [[LIBOR/EURIBOR/NIBOR/STIBOR/REIBOR/CIBOR/[ ]] [[appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) No. 2016/1011 (as amended, the **EU Benchmarks Regulation**).]

[[As far as the Bank is aware, as at the date hereof, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that [European Money Markets Institute/Norske Finansielle Referanser AS/Swedish Financial Benchmark Facility/Danish Financial Benchmark Facility ApS/[ ]] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)] OR [[Central Bank of Iceland/[ ]] does not fall within the scope of the EUBenchmarks Regulation]]/[Not Applicable]”; and

- (u) the selling restrictions under the headings “Prohibition of Sales to EEA and UK Retail Investors” and “United Kingdom” on pages 157 to 159 of the Base Prospectus shall be deemed to be deleted and replaced with the following:



## “Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (i) the expression **retail investor** means a person who is one (or more) of the following:
  - (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**);
  - (b) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (c) not a qualified investor as defined in the Prospectus Regulation; and
- (ii) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

## United Kingdom

### *Prohibition of sales to UK Retail Investors*

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (i) the expression **retail investor** means a person who is one (or more) of the following:
  - (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
  - (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or
  - (c) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (ii) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Bank for any such offer; or
- (C) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (A) to (C) above shall require the Bank or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the

offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

### ***Other regulatory restrictions***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Bank;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.”

### **General Information**

The paragraph "Significant or Material Change" on page 163 of the Base Prospectus shall be deemed deleted and replaced with the following paragraph:

#### **“Significant or Material Change**

Since 31 March, 2021, the last day of the financial period in respect of which the most recent unaudited interim financial statements of the Bank have been published, save as disclosed in this Base Prospectus in the sections entitled "*Risk Factors – Factors that may affect the Bank’s ability to fulfil its obligations under Notes issued under the Programme - The outbreak of COVID-19 has impacted and is expected to further adversely impact the Bank and its customers, counterparties, employees, and third-party service providers, and could have a material adverse effect on the Bank’s business, financial position, results of operations, and prospects*" and "*Description of the Bank – Recent Developments*" on pages 18 to 20 and on pages 127 to 128, respectively, there has been no significant change in the financial performance or position of the Group, nor, since 31st December, 2020, the last day of the financial period in respect of which the most recent audited financial statements have been published, save as disclosed in the above sections of this Base Prospectus, has there been any material adverse change in the prospects of the Bank.”.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.