

Business Terms of Kvika banki hf. for Securities Transactions

1. Scope and object

- 1.1. These Business Terms apply to securities transactions between Kvika banki hf. (hereinafter referred to as the Bank) and its clients (*cf.* Article 1 of the Securities Transactions Act, No. 108/2007). The headquarters of Kvika, ID No. 540502-2930, are at Borgartún25, 105 Reykjavík. Tel: 540-3200, e-mail: info@kvika.is.
- 1.2. The Terms apply to securities transactions as defined in the Securities Transactions Act, No. Act No. 108/2007, between the Bank and the Client. Securities trading includes, among other things, the acceptance and transmission of instructions from the Client as regards one or more financial instruments, the execution of orders on behalf of the Client, asset management, investment advice and loans for securities transactions.
- 1.3. The Terms are, among other things, intended to describe the relationship between the Bank and the Client as regards securities transactions, the means of establishing contracts and methods of communication, the Bank's requirements regarding security for the transactions and the conditions under which the Bank may close contracts and call in loans.
- 1.4. The Terms are also intended to make it clear that the Client has understood the nature of the securities transactions and services covered by the Terms and the risks they entail. Clients are encouraged to familiarize themselves with the legislation current at any given time, e.g. the Act No. 108/2003 on Securities Transactions, which entered into force on 1 November 2007, the Act No. 128/2011 on Undertakings for Collective Investment in Transferable Securities (UCITS), Investment Funds and Institutional Investors Funds, the Act No. 161/2002 on Financial Undertakings and the Regulation No. 995/2007, on Investor Protection and the Business Conduct of Financial Undertakings.
- 1.5. The Client is required to accept the Terms before engaging in, or continuing, transactions with the Bank. The Client is assumed to have accepted these Terms by appending his signature to an approval form or by means of a statement of consent in a durable medium. By approving these Terms, the Client accepts that a written agreement has been made as is provided for in Article 9 of the Securities Transactions Act.
- 1.6. The Bank holds an operating licence from the Financial Supervisory Authority, which monitors the activities of the Bank in accordance with the provisions of Act No. 87/1998 on the Official Supervision of Financial Operations and the Securities Transactions Act, No. 108/2007. The branch offices of the Bank in other Member States of the European Economic Area are subject to the supervision of the supervisory bodies of the state in question, as applicable.
- 1.7. By accepting these Terms, the Client declares that he has easy access to the Internet.

2. Definitions

- 2.1. 'Banking day' refers to a weekday when banks are normally open for business in Iceland and in the financial centres for the financial instruments specified in a contract.
- 2.2. A banking day rule shall be stated in the contract. This shall state how the contractually agreed due dates are to be shifted if they do not fall on banking days for the currency in question. The banking day rules are as follows:

- a) *The next banking day.* The due date according to the agreement shall be shifted to the next banking day after the day specified if the specified day is not a banking day.
 - b) *The next banking day, with an exception.* The due date according to the contract shall be shifted to the next banking day after the day specified if the specified day is not a banking day unless this would result in the shift of the due date to a day in the following month. In such a case, the due date shall be shifted to the banking day immediately preceding the date specified in the contract.
 - c) *The preceding banking day.* The due date according to the contract shall be shifted to the preceding banking day if the specified day is not a banking day.
- 2.3. 'Complex Financial Instrument' means a financial instrument which confers the right to buy or sell negotiable securities or which results in a cash settlement determined with reference to negotiable securities, currencies, interest rates or required rates of yield, commodities, other indices, reference values or derivative agreements.
- 2.4. 'Non-Complex Financial Instrument' means:
- a) an equity listed on a regulated securities market
 - b) money-market instruments
 - c) bonds other than those that are secured by embedded derivatives
 - d) assets in a collective investment schemes
 - e) other non-complex financial instruments.
- 2.5. *Contract date.* The contract date is the date on which the Bank approves the transactions and the terms which the Client has requested.
- 2.6. *Interest period* is the number of days or months on which an interest calculation is based in any given instance. Interest is calculated as from (and including) the first day of the interest period to the last day of the period. The first interest period of a contract shall begin on the first interest day of the contract and end on the first due date for the payment of interest. Each subsequent interest period shall begin on the due date for the payment of interest for the immediately preceding period and end on the next due date for the payment of interest. The last interest period shall end on the closing date of the contract.
- 2.7. *Due date of interest and interest payment.* The due date of interest is the last day of the interest period. The banking day rules apply to due dates of interest. This also applies to the due date of interest at the end of the period of the agreement.
- 2.8. *The first interest date* is the first day of the first interest period.
- 2.9. *Rules on numbers of days in connection with the calculation of interest (proportional periods):* The method of calculating interest shall be stated in the contract. More than one method may be used in the same contract. The principal methods are as follows:
- a) A/365: The number of calendar days (A) divided by 365. The interest percentage is multiplied by the number of calendar days in each interest period divided by 365.
 - b) A/360: The number of calendar days (A) divided by 360. The interest percentage is multiplied by the number of calendar days in each interest period divided by 360.
 - c) 30/360: 30 days divided by 360. The interest percentage is multiplied by the number of calendar days in each interest period, each month being considered as consisting of 30 days, and that number of days is divided by 360.

d) 30E/360: The Eurobond rule. The basis of the interest calculation is that the year consists of 12 months of 30 days each, though with the exception that if the last day of the interest period falls on the last day of February, the month of February is not counted as consisting of 30 days but instead of the actual number of days in the month. The number of days is then divided by 360.

- 2.10. *REIBOR*. The Reykjavík Inter Bank Offered Rate (REIBOR) is the average interest rate in interbank loans in Icelandic krónur (ISK) on the interbank market in Reykjavík, as published by the Central Bank of Iceland between 11.15 and 11.30 a.m. (local time) every day in Reykjavík.
- 2.11. *LIBOR*. The London Interbank Offered Rate (LIBOR) is the interest rate on the interbank market in London as published at 11.00 (local time) in London on Reuters' BBA screen.
- 2.12. *Durable medium*. For the purposes of this agreement, this means the Bank's online bank or each client's access-controlled service page accessed through the Bank's website. Clients are assigned a password to their online banks or such pages and can access all data relating to their transactions in their bank accounts or on their pages. They can also request to have information sent to them by letter post.

3. Categorization of clients

- 3.1. Under the Securities Transactions Act, No. 108/2007, the Bank is obliged to categorize all its Clients who are subject to these Terms into the following categories: retail clients, professional clients and eligible counterparties.
- 3.2. The principal effect of the categorization of Clients relates to client protection. Thus, retail clients receive more protection and more information from the Bank than professional clients and eligible counterparties. Furthermore, the Bank is under obligation to assess whether a particular financial service or certain financial instruments are suitable for the Client in question, such assessment being influenced by the categorization of the Client.
- 3.3. The Client may request, in writing, a change to his categorization.

4. Power of Attorney

- 4.1. A power of attorney (agency) granted by a Client to a third party to consent to these Terms or to enter into transactions with financial instruments on his behalf shall be regarded as valid until the Bank receives a written notification to the contrary from the party who granted the power. The power of attorney shall include a sample signature of the agent and shall be satisfactory in the view of the Bank. If the Client is a legal person, the power of attorney shall be confirmed by the board of directors of the legal person or person authorized to bind the legal person.
- 4.2. The Client undertakes to notify the Bank immediately in the event of any changes to a power of attorney submitted to the Bank. Furthermore, the Client undertakes, if it is a legal person, to notify the Bank immediately of any changes in its executive management and/or holders of power of procuration, if the objectives of the legal person are changed or if any changes occur which may affect contracts between the parties.

- 4.3. The Terms are accompanied by an Annex containing a possible form of such power of attorney for securities transactions, see Annex 1.

5. Client's provision of information

- 5.1. Under the Securities Transactions Act, the Bank is obliged to assess the Client with respect to particular services and transactions with particular financial instruments.
- 5.2. In the event that the Client requests this service, he shall be obliged to provide the Bank with all information it may request. Moreover, the Client declares that the information he provides to the Bank about his knowledge, experience, finances, investment policy and risk preference are correct. Furthermore, the Client shall inform the Bank of any substantial changes to the information he has provided to the Bank. The Client shall be obliged to provide the Bank, at his own initiative, with all the information necessary for the Bank to be able to assess whether a service or transaction is appropriate for him (*cf.* the Securities Transactions Act, No. 108/2007). The Client shall also inform the bank if changes occur to information he has previously submitted. The Client is hereby informed that if he provides defective information, totally neglects to provide information or fails to report changes to information previously submitted, this will result in it not being possible to assess whether a service or transaction is appropriate for him.
- 5.3. The Client agrees that the Bank may base its assessment of the Client on the information provided by him and that the Bank will not perform an independent investigation into his circumstances.
- 5.4. Moreover, the Client is aware that the Bank may possibly not be able to provide him with requested financial services if he does not provide correct or adequate information.

6. Risk

- 6.1. The Client is aware that investing and transactions involving financial instruments are risky. The Client is informed that it is dangerous to bind oneself by means of a contract or to enter into transactions without a full understanding of the nature and scope of the risk involved. The Client is advised to base a planned investment on his knowledge and experience with respect to financial instruments, his financial position and investment goals.
- 6.2. By consenting to these Terms, the Client declares that he has acquainted himself fully with the risks involved in the securities transactions he wishes the Bank to perform for him and on his behalf. The Bank assumes that the Client will familiarise himself with the risks and nature of financial instruments before entering into transactions.
- 6.3. A summary of the risks involved in the securities transactions and financial instruments available to the Client is available in Appendix 2 to these Terms. The Client may also request to have the summary sent to him by letter post.

7. Execution of securities transactions

- 7.1. Transaction orders may be submitted in writing or orally. The Client may send a transaction order to the Bank by e-mail, fax, telephone, over the Internet or through Office Communicator. The Bank cannot accept transaction orders through a telephone that does not record the

conversation. A written transaction order is regarded as received when read by an employee of the Bank. Transaction orders are binding for the Client from the time that the order is received by the Bank unless otherwise specifically agreed.

- 7.2. When the Bank accepts transaction orders from Clients, such orders are processed as quickly as possible, taking into account the conditions on the market as current from time to time. The Bank executes the transaction orders of comparable Clients in the same manner, i.e. in the order that they are received and as quickly as possible, unless the Bank is of the opinion that such a procedure is not in the best interests of the Client in terms of market conditions at that time. The Bank is obliged to follow its best execution policy when executing transactions for retail investors and professional investors, unless such investors have specifically requested otherwise. To achieve the best result at any given time, Clients' transaction orders may be gathered together with other orders received by the Bank, or with the Bank's own orders. No specific notification is issued when orders are gathered together. Under some circumstances, the gathering of orders may mean that the best results for the investor, i.e. the Client and the Bank's own trading, will not be achieved; the Client accepts this.
- 7.3. If the Bank accepts limit orders from a Client for the purchase or sale of securities within the EEA and if the Bank is of the opinion that it is not advantageous to execute the transaction as soon as the order is received, the Bank will not publish the Client's limit order unless the Client specifically requests it to do so.
- 7.4. The Bank confirms all contracts, including spot forex or securities transactions, swaps, forward contracts, short contracts, etc., unilaterally by means of notification in a durable medium, e.g. in the Client's online bank, or by letter post or by e-mail. This confirmation shall be regarded as full evidence of the transaction order, the substance of the order and the transaction itself.
- 7.5. The Client undertakes to approve contracts with the Bank within two days by his signature or by approval on a durable medium. If the Client fails to approve agreements in accordance with the foregoing, the Bank may nevertheless regard the agreements as binding on the Client.
- 7.6. If the Client raises an objection, his order, including a recorded telephone call, a communication through Office Communicator or an e-mail, shall constitute proof of the terms of the transaction.
- 7.7. At no time shall the Bank be obliged to execute a Client's transaction orders, and it may even reject them unilaterally and without giving any explanation. The Client does not have a unilateral claim on the Bank to have individual securities transactions executed on the basis of these Terms even though he has approved them. The approval of the employees of the Bank is required for the execution of all transactions, and the Bank may unilaterally approve or reject a transaction order. The Client is therefore aware, and confirms such awareness by his approval of these Terms, that the Bank may reject individual transactions and that the content of individual trading and contracts, including leveraging the Client if appropriate, may differ between companies, markets and market conditions. This furthermore means that the Bank may, at any time, unilaterally reject the Client's request for a new contract or the renewal of a contract, without further explanation.
- 7.8. Clients shall be obliged to submit to the Bank all materials requested by the Bank in connection with their transactions and to put up such collateral as the Bank considers adequate for the

transactions. The Bank also has discretionary powers to assess whether any submitted documents and/or information are adequate.

- 7.9. In the event of a transaction order involving a complex financial instrument, the Bank shall assess whether the financial instrument is appropriate for the Client before it executes the transaction on the Client's behalf. If the Bank is of the opinion that the financial instrument is not appropriate for the Client in question, it will advise him against going ahead with the transaction.
- 7.10. The Bank does not provide its Clients with personal investment advice unless specifically requested to do so. General information on market conditions and exchange rate trends at any given time is not regarded as personal advice to Clients unless this is specifically stated. The Bank does not guarantee that the general information it provides will benefit the Client. In the event that the Client specifically requests that the Bank provide him with investment advice in connection with an investment, the Bank shall be obliged, in accordance with the Securities Transaction Act, No. 108/2007, to assess the Client's eligibility with respect to the investment in question. If the Bank does not consider the Client eligible, it shall inform the Client of this formally.
- 7.11. Transaction orders or other instructions issued by the Client to the Bank are at the Client's responsibility. If a transaction order made orally, e.g. by telephone, the Client shall bear the burden of proof that the order was sent, that the employees of the Bank exceeded the instructions or that they made decisions for which there were no oral instructions. The Client shall bear full responsibility and all risk regarding the receipt of the order by the Bank in an adequate manner, and the Bank reserves the right not to execute transaction instructions if it considers such instructions to be inadequate.
- 7.12. By accepting these Terms, the Client grants the Bank power of attorney to assign financial instruments in his name.
- 7.13. Moreover, the execution of transactions is subject to the rules of the stock exchange or the market on which the transactions are executed, as applicable.

8. Best execution of transactions

- 8.1. In order to ensure the best execution of transactions in the execution of orders of retail investors and professional investors, the Bank shall employ the measures available at any given time, as provided for in its policy on the best execution of transactions.
- 8.2. The Client must approve the Bank's policy on the best execution of transactions before the Bank executes his order instructions. The Client may reject the Bank's policy on best execution of transactions and give specific instructions for another execution procedure. The Bank shall then endeavour to provide services in accordance with the Client's instructions. Amendments to the Bank's policy on best execution of transactions will be made on the Bank's website only. The policy on the best execution of transactions at any given time is accessible on the Bank's website.

9. Notifications to supervisory bodies

- 9.1. Following securities trading with a financial instrument subject to notification obligations pursuant to laws and regulations, the Bank shall be obliged to issue notification of the transaction to the appropriate supervisory authorities.

10. Delivery of financial instruments and payment

- 10.1. If a Client requests the sale of a financial instrument, he shall be obliged to ensure that the financial instrument in question is delivered to the Bank prior to the execution of the transaction if this is required by market rules or if the Bank so requests. The Client shall compensate the Bank for any losses resulting from delays relating to the delivery of the financial instrument. The Bank shall be entitled to confirmation to the effect that the Client is the owner of, or is able to deliver, the financial instrument in question.
- 10.2. The Client undertakes to employ all necessary measures to ensure the correct transfer of title to financial instruments where Client assistance is necessary. If the Client refuses to take such measures, the Bank may petition the District Commissioner or the District Court to execute what the Client fails to do.
- 10.3. The Client undertakes to own, on the date of settlement, a balance in his charge account in the Bank, or the account specified to by the Bank, equivalent to the purchase price of the financial instruments in addition to costs and taxes in any form. The Bank may check whether the Client has sufficient funds in his account for the conclusion of the transaction or whether the custody account contains financial instruments which shall then be set aside for the conclusion of the transaction. If the settlement does not take place on the settlement date due to insufficient funds in the charge account, this shall constitute a substantial event of default.

11. Custody of financial instruments, the funds of Clients and nominee registration

- 11.1. The Bank shall ensure that Clients' assets are kept separate from those of the Bank and shall ensure, to the best of its ability, that they are kept out of reach of the Bank's creditors.
- 11.2. The Client accepts that the Bank may use the services of, and preserve his financial instruments and funds in the keeping of, a third party, such as another financial undertaking or settlement agent, provided that the Client's assets are preserved in a separate account of the Bank which is opened on behalf of the Client, or in the Bank's nominee account, at a third party. The Bank's liabilities regarding the third party's actions or lack of action shall be subject to the applicable laws, rules and regulations.
- 11.3. The Client confirms and accepts that the Bank may keep the financial instruments of the Client in a joint account in the name of the Bank at a third party, subject to the fulfilment of the conditions of nominee registration, as provided for in Article 12 of the Act No. 108/2007 and regulations issued under that Act. Furthermore, the Client confirms that he is aware that under the Regulation No. 706/2007, on Nominee Registration and the Custody of Financial Instruments in Nominee Accounts, the Bank is obliged to provide the Financial Supervisory Authority with information. Nominee registration is a service provided by the Bank in which it keeps Clients' assets in its own account (the nominee account) and receives on behalf of its

Clients payment from individual issuers of securities. The principal legal effects of nominee registration are:

- 11.3.1 : If the financial undertaking's estate is accepted for bankruptcy (insolvency) proceedings, or if an application is made for a debt moratorium (financial restructuring), the winding-up of the company or comparable measures, the Client can, on the basis of the record, withdraw his securities from the nominee account, provided there is no dispute as to the Client's right of ownership. Disputes as to the Client's ownership may, however, result in a loss of rights.
- 11.3.2. Financial instruments that are registered in a nominee account do not confer voting rights at shareholders' meetings.
- 11.3.3. The Client will not be registered in the share register of the company in question. Dividends and other rights issuing from the company are deposited into the nominee account of the Bank and are subsequently registered as the property of the Client according to the nominee registry of the Bank.
- 11.3.4. In other respects, shareholdings in nominee registration enjoy the same rights and are subject to the same obligations as apply generally, e.g. as regards flagging obligations.
- 11.4. The Bank's Clients may request to trade with financial instruments that are listed outside the European Economic Area. In such cases, the Client's assets, whether these are in the Client's own account or in the Bank's nominee account, may be subject to legislation applicable outside the European Economic Area which may entail a different legal status for the Client.
- 11.5. In connection with the Bank's agreements with third parties on the custody of financial instruments and securities transactions, the financial instruments of the Client and the Bank may stand as collateral for the settlement of securities transactions. In such cases, the third party, as custodian, may be entitled to set-off the debt.

12. Account for electronically registered securities

- 12.1. If the Client wishes to enter into a contract for electronic securities certificates, i.e. assignable electronically registered securities, or submit electronic securities as collateral, the Client must first open an ISD account at the Bank in accordance with the Act on the Electronic Registration of Title to Securities. Approval of these Terms entails authorization by the Client for the Bank to transfer electronic certificates from an ISD account operated by the Iceland Securities Depository or another account operator to an ISD account operated by the Bank.

13. Debiting of accounts and charges

- 13.1. If a claim is not settled on its due date or, as applicable, on the date of calling, the Bank may debit the Client's account at the Bank and thereby settle the claim, irrespective of the currency in which the claim is denominated. The due date shall be determined either by the terms of the contract or according to customary settlement procedures. The same applies to the accounts of the Client that the Bank has established with a third party in connection with securities transactions or asset management for the Client.
- 13.2. The Bank reserves the right to charge commissions and fees for services rendered pursuant to its scale of charges at any given time. The Bank reserves the right to present to the Client new

information on commissions and fees on its website. Its current scale of charges is also available in its service branches. Fees and commissions shall be paid on demand, and the day of demand shall constitute the due date unless other arrangements are negotiated. By appending his signature to these Terms, the Client agrees to such charges and authorises the debiting of his account to cover such charges.

- 13.3. The Bank shall retain a lien on the Client's portfolio until commission and other costs have been paid and may sell individual financial instruments belonging to the Client on the market in order to set off the debt and dispose of the sales value towards the payment of commissions and other costs.
- 13.4. The Client shall pay all public levies or taxes which may be imposed on the contract or payments pursuant to the contract at no cost to the Bank. If foreign securities carry stamp duty, this shall be added to the initial fee charged to the Client.

14. Mergers of companies, changes in the objective of companies, etc.

- 14.1. If the Client is a legal person and makes a decision to merge with another company or companies, to divide the company into two or more independent companies, to change its activities so as to require amendment to the objective of the company as stated in its articles of association, or if a substantial change takes place in the ownership of the company (the Client), the Bank may terminate all contracts in effect between the parties if, in its opinion, such changes will have a substantially negative impact on the operating conditions or financial position of the company/Client or its ability to meet its obligations.
- 14.2. The Client shall notify the Bank immediately of any such decision. The notice period for termination shall be fifteen (15) days from the date on which the Bank notifies the Client of its decision to terminate the contract. All contract sums shall then fall due immediately on expiry of the notice period, and financial settlement shall take place without delay. Circumstances may, however, demand that shorter notice be given, in which case the Bank may state a shorter notice period or shorten a notice period already given.

15. Collateral

- 15.1. The Client may be required to provide collateral which the Bank deems sufficient to secure prompt and full payment, whether for individual transactions, contracts or as universal collateral. In such cases, a separate written agreement shall always be prepared, such as a Pledge of Collateral or General Bond.
- 15.2. The Client undertakes to sign all documents relating to collateral.
- 15.3. The Client may not assign, mortgage or dispose of by other means the collateral that he pledges to the Bank without the Bank's permission.
- 15.4. If a Client puts up a deposit in a bank account as collateral, the account shall be pledged to the Bank and shall be in its custody. Collateral submitted by a Client in the form of electronic securities shall be mortgaged in the ISD account of the Client in the Bank. If a Client puts up a security in paper form as collateral, it shall be pledged to the Bank and shall be in its custody. If such securities (in paper form) are subsequently registered by electronic register of title, the signature of the Client on these Terms shall constitute a power of attorney to the Bank to open

an ISD account in the name of the Client, transfer the securities to the account and register them as mortgaged to the Bank.

- 15.5. The Bank will assess the value of the collateral and whether it is sufficient. The Bank's assessment shall apply unless some other method of assessment is specifically negotiated. Thus, the Bank shall have absolute discretion in deciding what collateral it demands at any given time. In its assessment of collateral, the Bank will take account of factors including the market value of the assets in question, which will be re-assessed on a regular basis. As the market value of collateral can change without notice, particularly if collateral is pledged in the form of financial instruments or due to changes in the market value of the agreement, the Client is aware that a re-assessment can result in a request for additional collateral. Thus, the Bank may, at any time and for any reason whatsoever, demand that the Client put up collateral or additional collateral, e.g. if the market value of collateral falls or if there is a reduction in the value of assets secured.
- 15.6. If the Bank requires collateral or additional collateral, the Client shall comply with the request within two (2) banking days from the date on which the Bank makes such a request. However, changes in market conditions may call for shorter notice, in which case the Bank shall be entitled to give shorter notice, even within an hour, or to shorten a previously granted notice period. Failure on the part of the Client to comply with the Bank's request for collateral or additional collateral shall constitute a substantial event of default, and if this occurs then the Bank may apply any means of dealing with default, including the termination of the contract and calling in of the contract sum. The Bank may also apply all remedies for default without notice and without consulting the Client in cases of very unusual circumstances.
- 15.7. Requests for security or additional security may be made by the Bank in writing, by telephone, by fax or by e-mail. Announcements to this effect shall be regarded as properly delivered if delivered to the e-mail or fax number provided by the Client, unless it is obviously clear to the Bank that the announcement has not been received. The Client shall be responsible if his server / fax machine does not deliver his e-mail/fax, e.g. as a result of a malfunction in the computer system / fax machine. An announcement made by the telephone is regarded as having been immediately communicated to the Client. The Client shall notify the Bank promptly of any change in his address, telephone number, e-mail address or other comparable information. Such notification is regarded as received when it is read by an employee of the Bank.

16. Setting off (netting) of contracts and assignment

- 16.1. Setting off (netting) in foreign exchange and securities trading, including derivatives trading and deposits and lending, is subject to the following:
- a) If contracts falling within the scope of these Terms entail mutual obligations to be discharged by means of the same payment on the same day, e.g. the same currency or same type of security, the Bank may require setting off, so that only the balance, if any, is paid.
 - b) If contracts falling within the scope of these Terms entail mutual obligations to be discharged on the same day but not by the same payment, the Bank may nevertheless require setting off, so that only the balance, if any, is paid. If the payments are not in the

same currency, the Bank may convert the payment into Icelandic krónur or another agreed currency prior to netting.

- c) If any of the Client's obligations pursuant to a contract falling within the scope of these Terms are called in pursuant to Article 16, the Bank may set off claims pursuant to all contracts covered by these Terms so that the profit and loss of each party is settled simultaneously and the balance, if any, is paid out.
- 16.2. Settlement pursuant to this Article, i.e. valuation of financial instruments and conversions, is subject to Article 17.
- 16.3. By accepting these Terms, the Client agrees that a contract has been established with the Bank in accordance with Chapter V of the Securities Transactions Act, to the effect that the commitments of the Client and the Bank pursuant to derivative contracts (*cf.* Article 40 of the Securities Transactions Act) shall be balanced against each other, by netting, on renewal or default, suspension of payments, composition with creditors or bankruptcy, and that the contract shall remain in full effect notwithstanding the provisions of Articles 91 and 100 of the Bankruptcy (Etc.) Act, No. 21/1991.
- 16.4. The Client may not assign his rights or obligations pursuant to these Terms or contracts made on the basis of these Terms without the written consent of the Bank.

17. Default and calling-in authorizations

- 17.1. In the event of non-substantial default by the Client in respect of any commitment hereunder, transactions or under any contract referring to these Terms, the Client shall have two (2) days to remedy the events which led to the default. The period of grace shall be calculated from the time at which the event of default is regarded as having taken place.
- 17.2. The Bank may, without any obligation to do so, sell financial instruments, in their entirety or in part, call in or close a contract and/or contracts on any market the Bank may choose when the Client substantially defaults on his commitments. By 'calling in' is meant that the closing date of a contract is advanced to the date of calling in. Closure by means of a counter contract which eliminates overall market risk shall take place at normal value based on market price, market interest and the Client's current credit terms. Calculation of any profit or loss shall take account of market conditions on the date of calling in. If the Bank exercises its selling rights or calls in a contract, it shall acquire a claim on the Client for any difference there may be between the purchase price of the financial instrument in question and the sales price, with the addition of costs.
- 17.3. The following events shall at all times be regarded as substantial events of default for the purposes of the above:
- a) If the Client fails to remedy an event of default within two (2) banking days, as provided for in Section 17.1.
 - b) If the Client is in arrears on commitments to the Bank other than those that fall within the scope of these Terms and has not remedied the situation within two (2) banking days from the time that the arrears situation began, or is repeatedly in arrears on obligations to the Bank.

- c) If the Client does not put up adequate collateral or additional collateral within the time limit set in Article 15.
 - d) If the Client is ordered by a court of law to pay a cash debt (irrespective of whether or not this is entered in the arrears register), or his estate is subjected to attachment, or the Client petitions for a moratorium on debts, seeks a (formal or informal) composition, or seeks negotiations with his creditors on partial relief from debts, or if he petitions for the restructuring of payments, applies for the temporary rescheduling of debts secured by mortgage liens on residential property, concludes an agreement on the waiving of debts, the amendment of the terms of bonds or loan agreements in order to adjust his debts to his payment capacity or asset situation or that of his home, if he requests a lengthening of loan repayment periods, applies to a financial institution for assistance with making payments, or if the Housing Financing Fund responds to the Client's situation by granting a loan to cover debt restructuring, or defers the payment of mortgage loans or lengthens their repayment period, or if the Client petitions for bankruptcy proceedings (or statutory law permits or requires the submission of such a petition), or a petition is submitted for the enforced auction of the Client's assets, or if the financial situation of the Client is such that there is a significant likelihood that he will not be able to meet his obligations under these Terms, or if circumstances arise that are similar or comparable to those listed above.
 - e) If the Client neglects his notification obligations under these Terms.
 - f) If the Client neglects to notify the Bank of a decision on a merger, division of the Company into two or more independent companies or an amendment to the objective of the Company (*cf.* Article 14).
- 17.4. The Bank shall notify the Client when his obligations have been called in or a contract/contracts closed as a result of substantial events of default. Such notification shall be sent in accordance with Article 15.7.
- 17.5. In the event of the setting off, calling in or closure of a contract/contracts, the Bank shall see to the calculation of the Client's profit or loss on the contract/contracts in question and the market value of collateral (*cf.* Article 17.6). The Bank shall submit its calculations to the Client no later than fifteen (15) days following the calling in or closure of the contract/contracts if the Client so requests.
- 17.6. When a debt is due pursuant to the above, the Bank may resort to one of the following options:
- a) It may have the pledged property sold at an enforced auction for satisfaction of the debt without prior adjudication, arbitration or attachment pursuant to Article 6 of Act No. 90/1991 on Enforced Auctions, to the extent necessary for it to receive payment in full.
 - b) It may sell the items pledged on the market and/or to parties of its own choice and/or take possession of the items pledged to the extent needed to settle its claims. The price of the assets shall be based on their market price on the day that the Bank decides to exercise the option. The assessment of the market value of financial instruments listed on a stock exchange shall be based on the closing price on the stock exchange in question on the day before the assessment. If, in the Bank's opinion, the price formation on that day was unnatural, the assessment may be based on the closing price of more

banking days, taking into account the trading volume of the instruments on separate days. In assessing the market value of unlisted securities, the Bank shall apply one of three methods/values: a) The last trading price, including the price per share in the company's last equity increase; b) Its own assessment, or c) Use, as a frame of reference, the price which other financial companies are prepared to pay for the assets.

- 17.7. If the Client substantially defaults on his obligations to the Bank, the Client accepts that the Bank shall have full and unlimited power of attorney (authorisation) to assign his financial instruments, to sign for all payments and to perform all actions necessary and which the Bank considers to be advantageous to it. If further assistance by the Client is required before the transfer of title to financial instruments can take place, e.g. through the delivery of necessary documentation of any description, the Client undertakes to take all necessary measures towards this end, and if he fails to do so, the Bank may seek the assistance of a district commissioner or of the courts to have those actions taken that the Client has failed to take.
- 17.8. The Bank may, without obligation, convert default claims in foreign currencies into Icelandic krónur on the date of calling in or, as applicable, on the due date of the claim or later. Such conversion shall be based on the buying price posted by the Central Bank of Iceland at 11:00 a.m. on the day of settlement.
- 17.9. The Client shall pay arrears interest on the Bank's claims as of the date of calling:
- a) Claims in foreign currencies other than EUR shall carry arrears interest corresponding to monthly LIBOR interest, as determined for the currency in question at any time, with a default supplement of 7.5% (seven point five per cent) of the amount due or called in, from the due date to the date of payment. LIBOR (the London Interbank Offered Rate) interest refers to interest on the London Interbank Market as posted at 11:00 a.m., local time, in London on the Reuters BBA screen. If the currency in question is not regularly posted on the BBA interest rate table, interest shall be based on other interest rates on the interbank market or currency exchange market published by the Bank at any given time.
 - b) Claims in EUR shall carry arrears interest corresponding to one-month EURIBOR interest, as determined at any time, with a default supplement of 7.5% (seven point five per cent) of the amount due or called in, from the due date to the date of payment. EURIBOR (the European Interbank Offered Rate) interest refers to interest on the interbank market in the Member States of the European Monetary Union as posted at 11 a.m., local time, in Brussels on the Reuters EURIBOR01 screen.
 - c) Claims in Icelandic krónur shall carry arrears interest pursuant to the decision of the Central Bank of Iceland at any time on basic arrears interest and default supplements, as provided for in the first paragraph of Article 6 of the Interest Act, No. 38/2001, on the due or called-in amount from the due date to the date of payment. Unpaid arrears interest shall accrue to the principal every 12 months, for the first time 12 months after the first date of arrears.
- 17.10. In the event of default by the Client on his obligations, the Client undertakes to pay to the Bank, in addition to interest and/or arrears interest, all costs incurred by the Bank as a result of the default, litigation costs or other court costs, counsel's fees or other expenses payable

by the Bank, together with other legal costs resulting from collection pursuant to these Terms, in addition to any cost pursuant to the Bank's scale of charges and/or that of the party who undertakes the collection of the debt and/or as determined by the courts.

- 17.11. In the event of the calling in of the Client's obligations or the closure of a contract/contracts, in part or in full, the Bank may, without further notice, seek enforcement of its claims, at its sole discretion, through the collateral put up by the Client, e.g. through the sale of financial instruments without an enforced auction. The Bank may decide, at its sole discretion, whether to seek enforcement through all the collateral put up or through only part of it and, in the latter case, then in what order individual items are to be sold.

18. Liability for contracts, declaration of indemnity, *force majeure*

- 18.1. By agreeing to these Terms, the Client declares that he is aware of the fact that the transactions that he may engage in with the Bank and that fall within the scope of these Terms may involve particular risk. Therefore, the Client should seek advice from outside experts if he feels this is needed. If the Client seeks the opinion of the employees of the Bank and they provide an opinion on the basis of such a request, it is reiterated that any opinion expressed by an employee in response to such a request is merely the opinion of that employee at that time and may change without notice.
- 18.2. The Client is aware that the trading of the Bank under these Terms does not include market making or asset management for the Client. Consequently, the Bank does not guarantee to send alerts to the Client regarding the position of contracts or their closure at certain limits unless such services have been specifically agreed, with all the special and general reservations that may apply at any given time. Therefore, it is entirely the responsibility of the Client to monitor the status and trends of the contracts he has concluded with the Bank.
- 18.3. The Bank regularly publishes, on its website, information on various investment options available on the market at any given time. Publication of this information is solely for Clients' information and may not be regarded as personal advice to Clients.
- 18.4. The Bank shall not be liable for any alleged loss, direct or indirect, suffered by the Client as a result of price changes following calling in, e.g. if the Client would have made a profit on the price trend if the contract had not been called in.
- 18.5. Since market conditions can change significantly in a short time, the Bank cannot guarantee that the Client's instructions with respect to the preparation of a contract or execution of a transaction can be processed at the requested price. The Bank shall not be responsible for any damage or loss suffered by the Client as a result of a request for a contract or individual transaction being processed at a less favourable price than was assumed in the order, e.g. as a result of the price trends during the time that it took to process the order.
- 18.6. The Bank shall not be liable if the Client is in default on his obligations to the Bank and the Bank therefore forecloses upon the collateral or exercises the provisions available to it and the collateral is sold or utilized by other means at a lower price or rate than the Client may have anticipated.
- 18.7. The Bank shall not be liable for any direct or indirect losses suffered by the Client if a tax collectible from the Client is not collected or is incorrectly collected. In the event of a tax and/or

public levy being imposed on a contract or individual transaction falling within the scope of these Terms, the Client shall pay such items. If the Bank is under a legal obligation to see to the collection and payment of taxes for the Client, it may debit such payments from the Client's account, whether from a transaction account, collateral account or other account in his possession, and/or by the sale of the assets put up as collateral for the Client's transactions with the Bank.

- 18.8. The Bank shall not be liable for any direct or indirect damage or loss that the Client may suffer, directly or indirectly, as a result of the failure of the equipment or computers of the Bank, or for other similar reasons, e.g. in the use of the postal system, telephone, telex, fax or e-mail. Furthermore, the Bank shall not be liable for damage or losses caused directly or indirectly as a result of information provided by, or actions of, any third party.
- 18.9. The Bank shall not be liable for any direct or indirect damage or losses resulting from events of *force majeure*, such as war or impending conflict, terrorism, natural disasters, strikes, lockouts, closures of borders, trading bans, port closures, foreign-exchange restrictions or the taking over of a financial company by the Financial Supervisory Authority, or under unusual circumstances on the financial market.
- 18.10. In the event of a substantial change in the business terms of the Bank as a result of events for which it cannot be held responsible, e.g. changes in credit markets, government decisions, war, nuclear accidents or other incidents that are generally, or often, classified as events of *force majeure*, with the result that the Bank is unable to obtain loan capital for the financing of securities transactions covered by these Terms at terms comparable with those that were assumed when the contract was made, the Bank may, after giving prior notification to the Client, call in the balance of loans or bring the closing date of the contract forward with seven days' notice. The same shall apply in the event of substantial changes for the worse in the business terms of the State Treasury on overseas loan markets.
- 18.11. The Bank shall not be not liable for any direct or indirect damage or losses resulting from events of a political, social, financial or economic nature which are likely to prevent, terminate or disrupt, in part or in their entirety, the services provided by the Bank, even if such events are not classified as events of *force majeure*.
- 18.12. The Bank shall be liable neither for financial instruments returning the yield anticipated by the Bank or the Client, nor for currency trends developing in the manner that the parties may anticipate. Furthermore, the Bank shall not be liable if it proves impossible to buy or sell the financial instruments or currency that the Client has requested to buy or sell in the price range requested by the Client.

19. Information obligation and notifications by the Bank

- 19.1. The Bank shall send to the Client a receipt for each transaction involving financial instruments and currency executed for the Client no later than the banking day following the execution of the transaction or, if the Bank receives confirmation from a third party, no later than the first banking day after the confirmation has been received from the third party. The Bank shall send

such notification by e-mail, by letter post or on a durable medium, e.g. the Client's online bank. If the Client does not send objections or comments regarding receipts or statements within two days of their date of issue, the Bank may assume that Client has no criticism to make of the receipt or statement. If errors come to light at a later date, they shall be corrected and a notification to this effect shall be sent.

- 19.2. In the event of the calling in of a contract, or if the Client defaults on a payment on its due date, the Bank shall send to the Client a notice concerning the Bank's calculation of the payment obligation and, as applicable, the value of any collateral that has been utilized to meet the debt. This notice shall be sent within twenty-one (21) days of the due date, calling-in date or date of utilization of the collateral.
- 19.3. The Client shall be required to notify the Bank immediately of any circumstances that may affect the business relationship between the parties, including any actual or foreseeable default or any events which could result in default, whether pursuant to these Terms or any other terms or agreements between the parties. Moreover, the Client shall be required to notify the Bank if he becomes an insider in a listed company or if other similar circumstances restrict the Client's authorisation to trade in particular financial instruments.
- 19.4. The Client shall, at the request of the Bank at any given time, deliver to it any information regarded by the Bank as necessary relating to the Client's financial position and/or his knowledge or experience of market trading.
- 19.5. The Client shall declare, with each request relating to foreign financial instruments, that all foreign financial instruments that he, or others acting on his authorisation, may trade through the agency of the Bank belong personally to the Client and that the Client is the beneficial owner of such instruments and that the financial instruments cannot, either at the time or at a later date, be traced to criminal conduct.
- 19.6. The Bank will not specifically publish notifications on the corporate actions of companies. By 'corporate actions' is meant actions that lead to changes in the financial obligations of companies, such as dividend disbursement and the issue of bonus shares. The Client declares that he is responsible for monitoring notifications of such corporate actions and that his decision to participate in such corporate actions is his responsibility. The Client shall deliver requests to such effect to the Bank, which shall act as an intermediary regarding his participation.
- 19.7. On the death of a Client, or dissolution in cases where the Client is a legal person, the Bank shall be notified, and a duly authorized party shall inform the Bank of the disposal of the Client's rights and obligations. If the Bank has not received information from such party within five (5) banking days of the death or dissolution of the Client, previously given information, e.g. concerning authorization to represent the Client, shall be regarded as correct, and in such an event, the Bank shall be permitted, without obligation, to call in and/or close the contract(s) between the Client and the Bank. The Bank shall not be liable for any loss that may result from this. Furthermore, the Bank reserves the right to refuse to carry out instructions if there is the least uncertainty as to who is entitled to make decisions relating to the rights and obligations of the Client following demise or dissolution, and the Bank accepts no liability for any losses which may result from such refusal.

- 19.8. By accepting these Terms, the Client declares that the Bank may communicate with him in writing, by telephone, by fax, by e-mail or via a durable medium or its website. The Client accepts the risks involved in electronic communications, including the risk of e-mail not arriving at the correct time and the possible risk of confidentiality being compromised through such medium of communication. Communication shall be regarded as having occurred if a request to execute a transaction is received through the e-mail address or fax number provided by the Client, unless it is obvious to the Bank that the information has not been received, e.g. when a reply e-mail is received stating the e-mail address is no longer active.
- 19.9. The Client shall be held responsible if his server / fax machine does not deliver his e-mail/fax, e.g. as a result of a malfunction in the computer system / fax machine. The Client will promptly notify the Bank of any change in his address, telephone number, e-mail address or other comparable information. A written request is regarded as received when it is read by an employee of the Bank.
- 19.10. The Bank shall be obliged to provide the Client with statements, notifications, confirmations of transactions, receipts, etc., via a durable medium. A notice given by telephone is regarded as having come to the investor's notice immediately.
- 19.11. By accepting these Terms, the Client declares that the Bank may distribute information specifically relevant to the Client, such as amendments/updates to its best execution policy, policies relating to conflicts of interest and changes to these Terms via a durable medium. The Client may receive such data by letter post if he requests this specifically.

20. Measures against money laundering and the financing of terrorism

- 20.1. For the purposes of compliance with the Act on Measures against Money Laundering and the Financing of Terrorism, No. 64/2006, the Bank shall be obliged to gather information on the Client. If the Client is a natural person and, on the approval of these Terms, has not previously engaged in transactions with the Bank, he shall provide proof of identity by filling in and signing a form on the initiation of business relations and shall submit the data requested. If the Client is a legal person and, on the approval of these Terms, has not previously engaged in transactions with the Bank, it shall provide proof of identity by filling in and signing forms on the initiation of business relations for legal persons and shall submit the data requested, including information on its activities and on who is authorized to bind the legal person with respect to the Bank. Holders of powers of attorney of legal persons shall also prove their identities by submitting identification documents.
- 20.2. The Bank shall also obtain the same information concerning the beneficial owner of the Client, if applicable, pursuant to the provisions of the Act No. 64/2006 on Measures against Money Laundering and the Financing of Terrorism. By 'beneficial owner' is meant the natural person or persons who ultimately own or control the natural or legal person in whose name the transaction is carried out or who carries out the transaction. The beneficial owner includes the natural person or persons who ultimately own or control a legal person through direct or indirect ownership of over 25% of shares in the legal person, control over 25% of the voting rights or are regarded as exercising control over it by other means. If the Client is a foreign legal person, it shall submit a certificate from the corresponding foreign authorities.

- 20.3. The Bank shall be obliged to preserve photocopies of personal identification documents and other materials required, or adequate information from the documents, for a minimum of five years from the time that business is concluded.
- 20.4. Furthermore, the Bank reserves the right to request further data relating to the Client and the funds which he intends to keep in the custody of the Bank or which he intends to use when engaging in business with the Bank.
- 20.5. By approving the Terms, the Client confirms that the funds delivered by him to the Bank are owned by him. If, at the outset of a business transaction or later, the Client wishes to submit funds owned by other persons, he shall notify the Bank of this in writing, and the Bank may then require all the necessary documentation. The same applies in the event of changes to the information or data delivered by the Client to the Bank in accordance with the foregoing.

21. Recording of telephone calls, storing and saving data

- 21.1. In the interests of the security of the Client and the Bank, and as a means of correcting potential misunderstandings, the Client is aware that all business telephone calls to the Bank may be recorded, without this fact being stated each time, Client having confirmed by his approval of these Terms that he is aware that this may be done. The same applies to conversations through Office Communicator.
- 21.2. Telephone recordings are made in accordance with authorizations contained in the Telecommunications Act, No. 81/2003.
- 21.3. By his acceptance of these Terms, the Client agrees that such recorded conversations may be submitted as evidence in the course of legal proceedings and/or used as evidence in other circumstances in the event of a dispute regarding the substance of communications between the contracting parties, e.g. as regards the conditions and/or execution of a transaction. In other respects, the Bank shall treat recorded telephone conversations in the same way as other information which is subject to confidentiality pursuant to Articles 58 to 60 of the Financial Undertakings Act, No. 161/2002.
- 21.4. All data, of any type whatsoever, containing information on the transactions of Clients and their execution, shall be preserved at the Bank for at least five years.

22. Personal privacy and the treatment of personal data

- 22.1. The Bank needs, and is obliged by law, to process personal data on its Clients in order to perform its role as a financial undertaking and to ensure security in financial services. The Bank bears generally responsibility for the processing and treatment of personal data. The data in question includes, for example, the Client's name, ID No., address and information about the individual transactions of the Client.
- 22.2. By accepting these Terms, the Client authorises the Bank to process personal data relating to him. When personal data is processed, access to it shall be limited to those of the Bank's employees who need access to such data due to the nature of their work, although the Bank may disseminate information delivered to it by the Client, e.g. for the Client's categorization or his request to be categorized as a professional investor, to its various divisions. Furthermore, the Bank may disseminate personal data about the Client to processing entities, entities that

have entered into a service agreement with it or entities providing it with services, guarantors of the Client's liabilities or other parties duly authorized by the Client, and also to supervisory parties which have authorisation under law, e.g. the Financial Supervisory Authority. The same applies to the dissemination of data to the Bank's subsidiaries and affiliates. Moreover, the Bank may disseminate information on Client defaults that have lasted for at least 40 days to Creditinfo for publication on Creditinfo's register of defaults, etc. Before borrowing and in the event of defaults, the Client grants the Bank permission to investigate his position in the record system of Creditinfo.

- 22.3. The Client's personal data shall be preserved while the Client maintains a business relationship with the Bank, for as long as provided for by law or the business interests of the Bank so demand and relevant considerations so warrant.
- 22.4. Under the Personal Data Act, the Client is entitled to be informed of the personal data that is, or has been, processed by the Bank. Moreover, the Client is entitled to have incorrect or misleading personal data corrected or deleted.

23. Complaints

- 23.1. If the Client is dissatisfied with the services provided and/or is of the opinion that he has not been provided with adequate services in accordance with these Terms, he shall contact the Bank's Compliance Officer as soon as possible.

24. Confidentiality and non-discrimination

- 24.1. The Bank shall be required to observe full confidentiality with respect to the Client as regards all his business with the Bank and any other matters relating to his interests which are confidential by law or by their nature unless the Bank is ordered by a judge to disclose information to a court or to the police authorities or an obligation exists to disclose such information, this being defined clearly in law or in an agreement. This includes, e.g., obligations to provide stock exchanges with data under agreements or according to their terms.
- 24.2. Under the Securities Transactions Act, No. 108/2007, the Bank shall make particular information on particular transactions public. By agreeing to these Terms, the Client accepts that the Bank may make such information public. According to the rules of various states, the Bank may be required, subject to criminal liability and loss of voting rights, to disclose the identity of beneficial owners of shares in publicly listed companies, whether flagging limits have been reached or not. If the Client wishes to trade on such markets, such a request shall constitute authorization to the Bank and its custody agents to inform the stock exchange in question or register of shares of the beneficial ownership.
- 24.3. Furthermore, the Client authorizes the Bank to disclose to the Take-over Committee, in the event of a request from the Committee, any information concerning the existence of a contract or contracts and its/their substance, including information on the share and the company/companies involved in the contract(s) and where the voting rights and the rights to dividends reside pursuant to the contract(s), as required by Article 60 of Act No. 161/2002 on Financial Undertakings.

24.4. The Client is aware that the Bank itself may be a counterparty in contracts or individual transactions with the Client, but is also aware that the Bank is required by law to observe the highest degree of impartiality towards its Clients and must consistently organize its activities in such a way as to ensure equal treatment of its Clients as regards all matters of any consequence as stated in the Bank's policy on conflicts of interest. The Bank's own trading, therefore, shall in no way conflict with the interests of the Client. The Bank's policy on conflicts of interest may be accessed on its website. Moreover, the Client may request that the policy be sent to him by letter post.

25. Miscellaneous provisions

- 25.1. These Terms, and any contracts entered into on the basis of these Terms, are subject to Icelandic law. In the event of a dispute regarding the interpretation of these Terms or any contracts entered into on the basis of these Terms, it shall be brought before the Reykjavik District Court. Furthermore, the Client is fully aware of his option to refer any dispute with the Bank to the Complaints Committee on Transactions with Financial Firms.
- 25.2. All communications between the Bank and the Client with respect to transactions subject to these Terms shall be conducted in Icelandic or in English.
- 25.3. In the event of any discrepancy between these Terms and the provisions of a contract made on the basis of these Terms, the provisions of the contract shall apply.
- 25.4. The Bank reserves the right to cancel these Terms, add to them or amend them at any time. If this is done, the Client will be notified via a durable medium. Moreover, the Client may request that such changes be sent to him by letter post.
- 25.5. These Terms are standard and therefore cannot be amended by any action of the Client. Consequently, any notes, deletions, additions or other amendments made by the Client shall have no validity vis-à-vis the Bank.
- 25.6. These Terms shall enter into effect on 1 April 2012 and shall apply to all contracts made after that date. The previous terms shall maintain their applicability with respect to contracts effective before that date.

Kvika hf.

Reykjavík, 15 March 2012.



APPENDIX 1

Power of attorney (agency authorisation) regarding securities transactions

The undersigned

Name _____

ID No. _____

Address _____

hereinafter 'the Client', hereby grants the following agents full and unlimited power of attorney to engage in transactions involving financial instruments with Kvika banki Ltd (Kvika hf.) and to dispose of the Client's assets in accordance with the Bank's Business Terms, and to sign all necessary documents, including contracts and settlements, on the Client's behalf.

Name of agent:

Professional designation:

Tel.:

Fax:

E-mail:

This power of attorney shall cover, e.g., the purchase and sale of financial instruments, the assumption of liability by the Client, this including the use of his assets as collateral for credit advanced for the purchase of securities or the conclusion of derivative contracts and the redemption and sale of the financial instruments. Thus, the Client grants the agent full and unlimited authorisation to open and close contracts on the Client's behalf. Thus, the power of attorney covers the signature of credit agreements on the Client's behalf and the pledging of the Client's assets as collateral for loans for the purpose of securities purchases or for other derivative transactions. The power of attorney also grants full and unrestricted authorisation to approve commercial terms and other conditions on behalf of the Client.

In signing this power of attorney, the Client also agrees that the authorisation granted above to the agent is for the same sum as the Client's total authorisation at the Bank at any given time, and may rise because changes may occur in the sum of the obligations entered into by the agent, with the result that the Client's degree of indebtedness may be greater than that which he originally authorised, e.g. if changes occur on markets, these including changes in share prices or currency exchange rates, or if companies become bankrupt. The Client also realises that his indebtedness may amount to more than is stated in the power of attorney when interest, arrears interest, commissions, other capital costs, concluding costs of loans, collection costs and other costs are taken into account.



This power of attorney includes the authorisation to open an account for the Client in the Bank's name at another bank or deposit institution, providing that the Client's account is at all times designated as belonging to the client in the Bank's records systems, and to deposit money in, and withdraw money from, the account for the purpose of further investments or the payment of obligations, and to determine interest terms and other conditions. This account shall be used exclusively for the Client's market trading, and the balance on the account shall be pledged to the Bank.

Furthermore, this power of attorney covers the assignment of financial instruments in the Client's name which are in the custody of Kvika banki to a bearer, either by assignment where the name of the assignee is left blank or made out to a specific party. Authorisation under this paragraph is granted under the current Securities Transaction Act and the Undertakings for Collective Investment in Transferable Securities (UCITS) and Investment Funds.

Everything done by the agent named above under this power of attorney shall have the same validity as if the Client had done it himself.

The power of attorney granted to the agent named above shall remain in force until it has been revoked in writing by the Client and the revocation has been received by the Bank in a verifiable manner. Thus, the Client shall be bound by all contracts which the party named above may initiate until such time as a valid revocation has been received by the Bank.

Place and date

Signature: _____

Sample signature of the agent: _____

In the case of a legal person:

In the case of a natural person (individual):

Members of the Client's board:



Witnesses to correct signature, financial competence

and signature of the parties:

Name and ID No.

Name and ID No.

APPENDIX 2

Description of risks

Here follows a survey of the nature of financial instruments and the risks they entail. It is not exhaustive. The aim is to give clients of Kvika Ltd (Kvika banki hf.) information on the nature of financial instruments and the risks involved, and to warn them of the risks entailed in investing in financial instruments. Clients' attention is hereby drawn to the fact that they should not engage in transactions involving financial instruments unless they are aware of the risks this entails for them.

Clients of Kvika Ltd (Kvika banki hf.) are recommended to acquaint themselves in greater detail with the matters touched on below.

1. Risk: General

1.1. Economic risk

The general economic situation often affects the value of financial instruments, which may therefore rise or fall in step with the economy.

Economic cycles may vary in duration and degree. Similarly, they may differ in the effects they have on various sectors of the economy. Economic cycles also vary from country to country. These factors must be borne in mind when a decision is taken regarding investment.

1.2. Inflation risk

It is essential that clients be aware of the real value of their assets and the appreciation or yield, in real terms, that can reasonably be expected from them. Real interest is the difference between nominal interest and inflation.

1.3. Risk associated with actions of the government

It may happen that a debtor is unable to pay instalments on a loan on the due date, even though he is fully solvent, because he is unable to purchase foreign currency as a result of government actions, e.g. the imposition of foreign exchange restrictions. Various government actions may result in instability in the economy and the political sphere.

Investors may have to have loans repaid in a currency that is no longer capable of being exchanged due to foreign exchange restrictions. It is probably impossible to avoid risk of this type.

1.4. Currency risk

Investment in financial instruments in a foreign currency is generally subject to currency risk because the exchange rates of various currencies are not stable. Changes in the exchange rate may result in losses. Factors that influence exchange rates include the inflation rate in the country in question, the interest differential (the difference between interest rates in Iceland and other countries), trends in the economy, the political situation in the country and internationally and the security of the investments in question.

1.5. Saleability risk

Market resistance may make it impossible for a client to sell his financial instruments, or oblige him to sell them at a price below their true value. It is important to distinguish between market resistance arising from supply and demand on the market, on the one hand, and market resistance that stems from the nature of the financial instrument itself or market customs.

The former comes about because there is little supply or demand at the specified price. It may also be impossible to execute a sale or purchase order immediately, or it may only be possible at terms that are disadvantageous. The cost of the transaction may also be higher.

The latter type of resistance may arise from time-consuming assignment processes required in connection with transactions involving listed equities, delays in settlement or other reasons. Sales resistance may also result from a shortage of liquidity.

1.6. Subjective risk

It can be difficult to pin down the factors that affect the price of financial instruments. Feelings, opinions and rumours may have an effect. Such factors can influence prices substantially and cause loss, even though in fact the future prospect of the companies involved has not changed for the worse.

1.7. Credit risk

Financing the purchase of financial instruments with loan capital entails additional risk. The lender may call for additional collateral (margin) if price changes mean that collateral already submitted is not sufficient. If the client fails to advance further collateral, the Bank may be compelled to sell the client's financial instrument at a disadvantageous time.

Losses resulting from disadvantageous changes in the price of the financial instrument may amount to more than the original investment. Fluctuations in the price of financial instruments pledged as collateral may have a negative effect on the client's capacity to repay loans. The risk of losses resulting from price changes is greater in the case of leveraged investments than non-leveraged.

2. Risk associated with specific investments

2.1. Bonds

A bond is a unilateral, unconditional and written acknowledgement of a monetary debt. A common arrangement under a bond is that the debtor (which may be a natural person, a company or a public body) is obliged to pay interest at regular intervals for a certain period, and then to repay the principal in a single payment on the due date. Bonds are generally sold at a discounted rate. Bonds may be issued to the bearer or registered in the holder's name.

Interest on bonds may be fixed or variable. The loan period and payment terms are determined in advance.

Principal features of bonds:

- a) *Yield*: Interest payments and rise in value.
- b) *Term*: Short (up to 4 years), medium (4-8 years) and long (more than 8 years).
- c) *Repayment*: Depending on the provisions of the bond, this may be in a single payment at the end of the term of the bond, or in annual instalments or more frequent instalments.
- d) *Interest*: Depending on the provisions of the bond. Interest may be fixed for the entire term, or variable, in which case it is often linked to market rates, e.g. LIBOR or EURIBOR.

Principal risks associated with bonds:

- a) *Solvency risk*
Solvency risk is the risk that the debtor (issuer) will become insolvent, either in the short term or permanently. The debtor's solvency may be affected by general trends in the economy and changes affecting his own operations or those of the sector in which he is active. Political developments also have an effect. A deterioration in the debtor's cash-flow position may affect the value of the financial instruments it issues.
- b) *Interest risk*

Due to uncertainty regarding future interest rates, the purchaser of a bond with a fixed interest rate runs the risk that the value of the bond will be reduced if there is a rise in interest rates. The longer the term of the bond (and therefore the lower the interest rate) the more sensitive bonds will be to a rise in market interest rates.

c) *Prepayment risk*

The issuer of the bond may include in its provisions an authorisation to repay the bond amount to the holder if market interest rates fall. This may result in a lower yield on the bond that would be the case if no prepayment had taken place.

d) *Risk associated with lottery bonds*

It is difficult to estimate the duration of bonds that are redeemed according to a lottery system. Consequently, their estimated yield may be subject to unforeseen changes.

e) *Risks associated with particular types of bonds*

Certain types of bonds may entail additional risks, e.g. floating rate notes and reverse floating notes, zero coupon bonds, foreign bonds, variable bonds, indexed bonds, subordinated bonds, etc.

Investors should make a special examination of the risks associated with bonds of the above types by reading their prospectuses and should not purchase them unless they are sure that they understand all the risks involved.

Regarding subordinated bonds, investors should enquire about their rights in comparison with the rights of other claimants against the issuer. If the issuer becomes insolvent, subordinated bonds are not repaid until all other creditors with prior claims have received their payments.

With variable bonds there is the risk that investors will not receive repayments in full; instead, they will receive a sum corresponding to the underlying financial instruments.

2.2. Equities (shares)

Equities are securities issued to the holders of shares in limited companies as proof of their ownership of the company. They may be issued to the bearer or registered in the name of the holder.

Principal features of equities:

- a) *Yield*: Dividend and increases in the price of the financial instrument.
- b) *Shareholders' rights*: These consist of financial rights and ownership rights, and are determined by law and by the articles of association of the company issuing the equities.
- c) *Assignability*: The assignment of equities may be subject to restrictions.

Risk factors:

a) *Investment risk*

In purchasing equities, the investor is not lending money to the company; he is buying a share in it. He generally has the right to vote at shareholders' meetings on important matters in the company, and in elections to the board of directors. It is difficult to forecast the likely gain or loss from investing in equities.

In a worst-case scenario, the company that issued the equities may go bankrupt, in which case the entire investment is lost.

b) *Risk resulting from price changes*

Equity prices can fluctuate in an unpredictable manner, which increases the likelihood of loss. Thus, the price may undergo increases and decreases which may last for long or short periods of time, without there being any way of knowing in advance how long they will last.

c) *Dividend risk*

Dividend payments to shareholders depend chiefly on the company's profits. If profits are small, or if the company operates at a loss, dividend payments may be reduced or there may be no such payments.

2.3. Funds (UCITS)

Collective investment funds collect investment contributions and re-invest them in accordance with basic principles of risk spread, so enabling their members or companies to benefit from their asset management.

Principal features of funds:

- a) *Open funds*: The overall size of these funds is not determined in advance, neither as regards the number of investors nor the amount they invest. The fund may issue more units in response to demand, and also redeem them. Funds are generally obliged to redeem units according to pre-determined rules.
- b) *Closed funds*. The overall size of these funds is determined in advance. Generally they are not obliged to redeem units.

Principal risks associated with investment in funds:

- a) *Administrative risk*: As the yield on units in a collective investment fund depends partly on the competence of, and decisions taken by, the directors of the fund, wrong decisions on their part may result in losses.
- b) *Risk of a drop in the value of the units*: Collective investment funds involve a risk of a drop in the value of their units; such a drop will reflect a drop in the trading price of the financial instruments or currencies of which the fund's portfolio consists. The greater the asset spread of the fund, the smaller the risk of loss. Conversely, more narrowly specialised investments with smaller asset spreads will involve greater risk of loss.

It is therefore important to pay attention to the general and specific risk factors associated with the financial instruments and currencies that form the fund. Investors can obtain information about funds by reading their prospectuses.

2.4. Derivatives

These are financial instruments the value of which changes according to the value of their underlying assets; these underlying assets may consist of financial instruments, market indices, an interest rate, a currency, a commodity price or even another derivative.

Derivative trading falls into three main categories:

- a) *Option agreements*: The holder of the option has the right (but not under any obligation) to trade. The counterparty (the seller of the option) is obliged to honour the contract, while the other (the purchaser of the option) is free either to exercise his option or not to do so.
- b) *Futures and forwards*: The parties to these enter into an agreement to execute the contract on a particular future date. The commitment is binding.

- c) *Swaps*: In these, the parties agree to make regular payments to each other, e.g. on the basis of fixed or variable interest (interest swap agreements) or to exchange specific assets, e.g. particular currencies (currency swap agreements).

2.4.1. Options

Options are derivative contracts that change their value according to changes in the value of the underlying asset. On paying the option price to the counterparty (the seller of the option) the purchaser acquires the right to buy or sell the underlying asset of the agreement on the closing day of the agreement, or during a specified period, for a certain basic price.

2.4.2. Principal features of options

- a) *Term*: The term of the option begins on the date of trade and ends on the maturity date of the option.
- b) *Connection between the option and the underlying asset*: The connection depends on the number of units in the underlying asset which the holder of the option has the right to sell or buy.
- c) *Strike price*: The price, agreed in advance, at which the holder of the option is entitled to buy or sell the underlying asset when he exercises the option.
- d) *Gearing*: All changes in the price of the underlying asset are reflected in greater changes in the value of the option where gearing applies.
- e) *Purchase of a call or put option*: The buyer of a call option predicts that the price of the underlying assets will increase, so raising the value of the option. The buyer of a put option, by contrast, predicts that the price of the underlying assets will decrease, so raising the value of the option.
- f) *Sale of a call or put option*: The seller of a call option predicts a drop in the price of the underlying asset, resulting in a fall in the value of the option, while the prospective seller of a put option predicts that it will have risen, so lowering the value of the option.

2.4.3. Principal features of options

- a) *Market risk*

Option contracts may be traded on stock exchanges. Important considerations in connection with the price of option agreements are, on the one hand, their saleability on the market and on the other the actual, or probable, change in the value of the underlying asset. A call option rises in value in step with an increase in the value of the underlying asset, while the value of a put option will fall as the value of the underlying asset drops. However, the market value of an option depends not only on changes in the value of the underlying asset. Other factors have an influence: the term of the option and the frequency or scale of all the changes in the value of the underlying asset.
- b) *Leverage risk*

Leverage generally means that changes in the value of an option are generally greater than the change in the value of the underlying asset. Thus, the owner of an option can profit greatly from price increases, while he can also lose heavily. The risk accompanying the purchase of options increases with the degree of leverage.
- c) *Risk associated with the purchase of options*

Options are volatile investments. The likelihood that an option will be worthless on maturity is relatively high. In such a case, the investor loses his entire investment, i.e. the price he paid for the option plus the fee. The investor is faced with three alternatives: he can sit tight with

the option until it matures, he can try to get rid of the option before it matures or (and only in the case of “American options”) he can exercise the option before it matures. Exercising the option may involve paying the difference between the strike price and the market price or buying/delivering the underlying asset. If the option refers to a standardized future contract, the exercise of the option will mean taking a position against the standardized future contract, which will involve undertaking certain obligations regarding the collateral cover (margin).

d) *Risk associated with selling options*

Selling an option generally involves more risk than purchasing one. If the market price of the underlying asset changes to his disadvantage, the seller of the option must place increased collateral in order to maintain his position. If the option sold is of the “American” type, the seller may even have to honour the option agreement at any time until it matures.

Sellers’ risk can be reduced by maintaining a position in the underlying asset (a financial instrument, an index, etc.) that is equivalent to the option sold.

2.4.4. Standardized futures contracts and non-standardized (forward) contracts

Standardized futures contracts are contracts which are traded on stock exchanges. They are standardized both as regards the quantity of the underlying asset to which they refer and as regards their date of maturity. Non-standardized contracts (forward contracts) are traded on the over the counter market (OTC); they are not traded on exchanges.

2.4.4.1. Principal features of standardized futures contracts and forward contracts:

- a) *Initial cost:* Whether in the case of the purchase of a standardized futures contract or the sale of an underlying asset, an initial cost is agreed at the time that the contract is made. The margin is generally expressed as a percentage of the value of the contract.
- b) *Sale:* Generally speaking, the investor may execute the agreement at any time or close it before it matures, either by selling it or by making a opposite trade. Execution of the contract terminates the position adopted, and the gain or loss accumulated in the preceding period is realized.
- c) *Settlement:* The parties must honour the contract at maturity. Contracts with tangible assets as their underlying assets may be honoured by delivering the item in question. If an item is to be delivered, the terms of the contract must be honoured in full; if the settlement is to take the form of a cash payment, then only the difference between the strike price and the market value at the time of payment has to be paid. Thus, investors must have more capital available in the case of contracts for the delivery of the underlying asset than if they involve cash settlements.

2.4.4.2. Principal risk factors of standardized futures contracts and forward (non-standardized) contracts:

a) *Changes in the value of the contract or of the underlying asset*

Irrespective of any rise in the value of the contract or of the underlying asset, the seller is obliged, under a futures contract, to deliver the underlying asset at the agreed strike price, which may turn out to be far lower than the current price. For the seller, the risk consists of the difference between the agreed (strike) price stated in the contract and the market price on the settlement date. As the market price can (theoretically) rise indefinitely, the seller’s potential loss is unlimited, and it may far exceed the collateral posted. If the value of the contract and the underlying asset falls, the buyer must nevertheless, under the terms of a futures contract, accept the

asset at the price agreed in the contract, which may be much higher than the current market price. Thus, for the seller the risk is equivalent to the difference between the strike price and the market price on the day of delivery. The buyer's maximum loss is the strike price. This loss may far exceed the posted collateral. The transaction is evaluated regularly and updated in terms of the market price ("mark-to-market"). The investor must at all times have access to adequate collateral. If his collateral becomes insufficient during the term of a futures contract, the investor may receive an additional margin call at very short notice. If the investor does not act on the margin call, the contract may be settled before the maturity date.

b) *Saleability*

To avoid excessive fluctuations in price, the exchange may set limits on specific contracts. The investor must bear in mind that it may prove difficult, or even impossible for some time, to sell the contract under such circumstances; the investor should therefore make enquiries about such limits.

It is not always possible to sell contracts in order to avoid or reduce risk. This will depend, among other things, on market conditions and the terms of the contract.

Buying

Selling an asset without owning it at the maturity of an agreement (short selling) entails the risk that the seller will have to buy the underlying asset on an unfavourable market in order to honour his commitment to deliver it in order to settle the contract.

c) *Special risk associated with non-standardized derivatives*

The market for standardized transactions is generally active and transparent, and consequently it is normally possible to sell such contracts. For non-standardized derivatives, on the other hand, there is no market, and consequently the only way to withdraw from the contract is by obtaining the counterparty's approval (closing the contract).

2.4.5. Swaps

'Swaps' is a collective term covering agreements under which the parties exchange interest rates, currencies, securities or any other item that generates a cash flow. Examples are interest-rate swaps, equity swaps or currency swaps.

Example of an interest-rate swap:

- a) One party pays interest at a fixed rate on a specific principal for a fixed number of years in future..
- b) The other party pays variable interest rates on the same principal over the same period.

If a swap agreement is in the same currency then the principal is not normally swapped at the beginning.

Generally, the greatest risk in a swap agreement lies in the part that is dependent on changes in the market price. For example, the value of contracts with variable components may vary substantially over time. Thus, the greater the risk associated with the underlying asset, the greater the risk entailed in swap agreements

3. Examples of non-traditional investments

These include investments in domestic or foreign collective investment funds which pursue policies that are substantially different from investments in traditional equities or bonds.

Hedge funds are the most common non-traditional form of investment. Their investment policy frequently embraces short selling, leveraging and derivatives. Investments in funds which invest in non-listed equities also come under this category (risk capital, financing of corporate purchases).

3.1. Principal risk factors associated with non-traditional investments

a) Gearing

It is here that the investment policy may involve a very high degree of risk. For example, leveraging may mean that minor changes on the market will result in very large gains or losses. In some cases, the entire investment may be lost..

b) Lack of information

Very frequently, investors in non-traditional investments have very little information to go on. The investment policy pursued by funds may be very complex, and frequently impenetrable for investors. Changes of policy, which could involve substantial increases in risk, are often unclear to investors, who may underestimate the risk involved.

c) Possible non-saleability

Non-traditional investments may be more difficult to sell than other investments. Sometimes their saleability is very small. Thus, the redemption of shares in hedge funds may only be possible at monthly, quarterly or annual intervals. For investments in funds that purchase non-listed equities, the lock-in period may be as much as 10 years or more.