



**GENERAL TERMS OF BUSINESS FOR INVESTMENT SERVICES BETWEEN
ARION BANK HF. AND ITS CLIENTS**

Valid from: 2 May 2012

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1. GENERAL

About Arion Bank

Arion banki hf., Icelandic ID no. 581008-0150, is licensed as a commercial bank in accordance with the Act on Financial Undertakings and is subject to the supervision of The Financial Supervisory Authority, Iceland (www.fme.is). The Bank has branches throughout Iceland with its headquarters at Borgartún 19, 105 Reykjavík, Iceland. Telephone number is: +354 444 7000 and e-mail address: arionbanki@arionbanki.is. Further information regarding the Bank and its services can be found at www.arionbanki.is.

Definitions in these terms of business

Any reference to the Securities Transactions Act refers to Act No. 108/2007, as amended.

All references to "Arion Bank", "the Bank" or "we/us" are references to Arion banki hf.

Headings in these Terms are intended for informational purposes only.

About the general terms of business

These Terms apply to all transactions in financial instruments between you and us. The intention is to describe the legal relationship between you and us in trading and brokerage, how agreements and communication are made, what requirements we make in the case of collateral and under what conditions we are authorised to terminate contracts (by means of reverse contracts, if applicable), foreclose on pledged assets or assets under lien and to call loans due and payable etc. The purpose of these Terms is also to inform you of the nature of the agreements covered by these Terms and the risk which they involve and to facilitate your understanding of your legal position vis-à-vis us.

The business and services under these Terms are governed by various laws, regulations and rules. We encourage you to familiarise yourself with existing laws and regulations at any given time and seek counsel and advice as appropriate, e.g. counsel and advice of an external expert if you deem it necessary. These Terms are standardised and therefore cannot be amended by you without written approval by two senior managers at Arion Bank. Any annotations, deletions, additions or amendments of any other nature by you are therefore not valid.

These Terms, amendments to these Terms and any terms which may replace them can be obtained on www.arionbanki.is. You can also obtain the following on the website: Order Execution Policy for Arion Bank, information on the Bank's policy on conflicts of interest, an overview of the main characteristics and risks of financial instruments, Arion Bank's General Terms of Business, a description of customer categorisation, information as to what legal remedies are available to a customer in the event of a dispute arising between a customer and the Bank, information on the Depositors' and Investors' Guarantee Fund (TIF) etc.

We reserve the right to invalidate, add to, or amend these Terms at our own discretion. A notice of such actions shall be published on our website www.arionbanki.is. If such changes will have a significant effect on you, you will be notified in a durable medium. Such amendment will become effective on the date specified in the notice. In case a written objection is not received from you within thirty (30) days from the date of our notification, we will then conclude that you have agreed to the amendment. Notwithstanding the above, we may amend these Terms with immediate effect, or at a later date as we determine, if we are obliged to do so under any applicable laws, regulations, rules or official instructions. A notice of such actions will be published on our website www.arionbanki.is. You can ask to receive any such notification by mail.

Any objection by you to the amendments will be treated by us as an immediate termination of the agreement on investment services, cf. Article 21 of these Terms.

Please note that Arion Bank's General Terms of Business apply to business between you and us and that they complement these Terms. These Terms supersede the General Terms of Business where the business or services are covered by these Terms.

If there is a discrepancy between these Terms and the provisions in an agreement or specific terms made on the basis of them, the provisions of the agreement or the specific terms shall have precedence.

If there is anything you wish to query regarding these Terms, please contact us.

2. RISK OF FINANCIAL INSTRUMENTS

You are aware of the fact that transactions involving financial instruments may involve particularly high risks. You realise that the value of the financial instruments which you may decide to buy or sell may decrease or increase, according to conditions on the market. Investments always involve a financial risk, such as the risk that the investment will generate no return or the risk that you may lose the original investment. Past returns are neither an indication nor a guarantee of future investment returns.

You are encouraged to carefully read our overview of the main characteristics and risks of financial instruments, which is available in paper format and on the website www.arionbanki.is.

3. CATEGORISATION OF CLIENTS

Any client who requests investment services is categorised as a retail client, professional client or eligible counterparty under the Securities Transaction Act. Such categorisation determines the level of investor protection. Retail clients enjoy greater protection than professional clients and eligible counterparties, and this involves e.g. a greater duty on the part of the Bank to disclose information. A retail client can wish to dispense with the legal protection afforded by this category. However, this is subject to an assessment by Arion Bank and the Bank will not approve such a change unless the client meets certain minimum requirements regarding experience, knowledge and financial position. Professional clients and eligible counterparties may always request increased protection.

4. INFORMATION ABOUT YOU

We place great importance on knowing our customers and their requirements. This is done for reasons if investor protections so that we can provide tailor made services which are appropriate for individual customers.

You must provide, whenever requested by us, any information which we consider necessary, e.g. concerning your financial position and/or knowledge and experience of transactions with financial instruments and/or investment objectives. If you do not provide us with the required information we will not be able to provide you with specific services. You shall update the information provided to us if necessary.

Please note that if you provide incomplete information or neglect to provide information it may result in our being unable to assess whether a specific transaction is appropriate for you.

We are not obliged to assess whether a transaction is appropriate for your level of knowledge and experience when you give, at your initiative, direct instructions with respect to a transaction with non-complex financial instruments. In such cases you will not benefit from the corresponding protection of such an assessment.

5. BENEFICIAL OWNERSHIP

You shall inform us who the beneficial owner is of the assets deposited in your account at Arion Bank. You undertake to notify us immediately of any changes with respect to beneficial ownership.

You are not permitted to use any assets in transactions with Arion Bank which may be linked directly or indirectly to illegal activities.

You hereby declare that you have tax residence in the country specified in an agreement between you and the Bank and that you conform with all the conditions necessary to benefit from a double taxation agreement (if such an agreement exists) between your country of residence and the country you invest in through our intermediation. You hereby undertake to notify us without delay of any changes of tax residence.

6. CONFIDENTIAL INFORMATION

The board of directors of Arion Bank, managing directors, auditors, personnel and any persons undertaking tasks on behalf of the Bank shall be bound by an obligation of confidentiality concerning any information of which they may become aware in the course of their duties concerning business dealings or private concerns of its customers, unless obliged by law to provide information. The obligation of confidentiality shall remain even after their employment ceases. See further Article 58 – 60 of Act. No. 161/2002 on Financial Undertakings.

Information is, however, in some instances sent for processing to parties on our behalf or parties managing the custody of your financial instruments (or other valuables) and the settlement of transactions, and attending to related tasks on our behalf. Those receiving such information about customers are bound by an obligation of confidentiality as specified above.

You are aware that in order to fulfil our obligations pursuant to these Terms, it is necessary for us to collect and process personal information pursuant to Act No. 77/2000 on the Protection of Privacy as regards the Processing of Personal Data. We are considered a responsible party in processing such information according to the law, and the aim of collecting and processing personal information is to ensure that we can fulfil our obligations towards you and provide you with the services which we are authorised to provide. You will usually be identified in our systems by ID-No. and in some circumstances by name. We draw your attention to your right to information pursuant to Article 18 and restrictions on right to access pursuant to Article 19 of the above Act and to your right that information about you may be corrected or destroyed in specific circumstances.

By approving these Terms, you give your consent for us to process your personal information and information that will be created in the business relationship between us, and to use this information in our marketing. You may withdraw your consent at any time in writing.

By approving these Terms, you agree that we may process by computer or otherwise any information we hold about you and may use any of that information to administer and operate your account and provide any service to you, to monitor and analyse your conduct, to assess any credit limit or other credit decision (as well as the interest rate, fees and other charges to be applied to the account) and to enable us to carry out statistical and other analysis.

7. COMMUNICATIONS BETWEEN US

All information/notifications relating to transactions between us can be sent to the address, e-mail address or fax number you have specified. This information and other information you provide to us shall be deemed correct until you notify us otherwise. You must notify us immediately if you change your address, telephone number, fax number, e-mail address or similar information. If you change your address in the National Register of Persons, your address in our systems will automatically be updated accordingly, and that address used, unless you have specifically asked us to send the information to another postal address than your registered address. In this case that address will be used until you inform us otherwise. If you are a minor, your legal guardian may specifically request that all information be sent to another name and address than that of the minor, otherwise all information will be sent as stipulated above.

We reserve the right to send you information/notifications via Arion Online Banking, with your consent if required by the law.

Subject to Applicable Regulations, any communication between us using electronic signatures shall be binding as if it were in writing, cf. Act No. 28/2001 on Electronic Signatures.

8. NOTIFICATIONS FROM US

We can send notifications concerning agreements based on these Terms by telephone, e-mail or fax or other means agreed by the parties. A notification shall be deemed to have been sent to the right place, if it has been sent to the e-mail address/fax number provided by you. You assume responsibility if your net server/fax machine does not deliver the notifications, e.g. as a result of a breakdown of the computer system/fax machine. A notification by phone is considered to have reached you immediately.

We will deliver/send you a receipt for each purchase or sale of financial instruments made for you within the period stipulated by the applicable laws and regulations.

At least once a year we will send you a statement showing your assets and a statement covering all transactions during the period.

If you have not commented on the receipt or statement by verifiable means within thirty (30) days of the date on such documents, we consider that they contain the correct information, except in the case of obvious mistakes. We reserve the right to correct errors. If mistakes do occur, they shall be corrected and notification of this correction sent to you.

Our records, unless shown to be wrong, will be evidence of your dealings with us in connection with the services provided on the basis of these Terms.

9. SAFEGUARDING OF YOUR ASSETS AND FUNDS

By transferring assets to, or entering into transactions with us a custody account is opened in your name on the basis of these Terms, unless agreed otherwise.

We will establish a custody account in your name and manage the account as stipulated in these Terms. We will act as a custodian in accordance with the provisions of these Terms. We are responsible for the custody of financial instruments and other valuables for you in accordance with these Terms. We shall keep financial instruments and other valuables belonging to you securely separate from our assets and it shall be possible at all times to distinguish assets that we are holding for one client from assets which we are holding for another client and from our own assets. We will make investments in accordance with instructions from you as stated in these Terms.

You grant us a power of attorney to:

- a) Establish an account in your name and deposit and withdraw money from the account in connection with your investment services. This account shall receive all payments received from the sale of financial instruments and dividend payments, and all payments made by you, e.g. payments in relation to the purchase of financial instruments and commission, shall be made from this account.
- b) Establish a securities account (ISD account) in your name for the electronic registration of title to financial instruments.
- c) Keep your financial instruments in a specified custody account, purchase and sell financial instruments according to your instructions, and take all measures necessary for transactions to be completed, *inter alia* to transfer financial instruments in your name.
- d) Seek rights or proprietorship that are formed on account of financial instruments in the custody account, such as collection of payments, instalments, dividends, indexation, interest and bonus shares.
- e) Debit your account(s) in order to pay commission and other costs arising from your financial instruments and transactions. You must always ensure that there are sufficient funds in the account so that we are able to debit the account in order to pay commission and other costs in accordance with this article.

All measures taken and signatures by us in your name in accordance with the above power of attorney shall be of equal value to as if these measures and/or signatures had been made by you yourself.

You authorise us to have a third party, on our behalf, manage the custody of financial instruments (and other valuables) of yours and the settlement of transactions and connected business. In the case of investment in financial instruments listed on stock exchanges outside Iceland, we may outsource custody services for those financial instruments to a third party who may, as the case may be, be located outside the EEA. The legal relationship between us shall remain unchanged even if we exercise this authority.

By approving these Terms, you authorise us to deposit financial instruments in a nominee account (nominee registration) in accordance with Article 12 of the Securities Transactions Act and Regulation No. 706/2008 on Nominee Registration and the Custody of Financial Instruments in Nominee Accounts. We do not hold financial instruments in nominee accounts unless necessary or unless you have so requested. The nominee registration of financial instruments poses you with the risk that your financial instruments may be indistinguishable from our assets and those of other clients. If it proves impossible to distinguish your assets from other assets you may lose your rights if the estate of the custodian is subject to bankruptcy proceedings or a moratorium is granted on its debts, or the custodian is wound up or comparable measures are taken. To prevent this from happening, we maintain a record of each client's assets. Please note that the custodian may be required to disclose to the regulators information on nominee registration and which clients are registered as owners of financial instruments held in a nominee account at a specific point in time, if requested. Regulation No. 706/2008 contains more detailed information on nominee registration. The legal relationship between us will not change if your financial instruments are held in a nominee account.

We are authorised to refuse to execute payment from your custody account if you owe us fees or commission for provided services or if it can be shown that we are entitled to net your assets, cf. Articles 17 and 18 of these Terms. We are also authorised to refuse to execute payment from your custody account if there is any suspicion that the account is being misused or it is suspected that you may become insolvent if the payment is executed. We will inform you of any such refusal as quickly as possible.

10. INSTRUCTIONS FROM YOU

Agreements can be made in writing, by telephone, fax, e-mail or other electronic means approved by us. It is possible to extend, amend or cancel an agreement as described above. You may give instructions on transactions via our Online Bank to the extent such services are available at any given time, provided you are a registered user and have agreed to the applicable terms for the Online Bank.

Your instructions must contain sufficient information (such as, but not limited to, information on you and the number of the custody account) and precise information on the proposed transaction (such as, but not limited to, the volume and purchase or sale price). We reserve the right to request security information from you before your instructions are executed.

You are fully responsible for all instructions regarding financial instruments trading or other instructions delivered to us. If instructions are given verbally, such as at a meeting or via telephone, you have the burden of proof that the instructions have been given in the first place, and that we have deviated from those instructions or made decisions that have not been verbally authorised.

You cannot unilaterally request that we enter into individual agreements on the basis of these Terms even if you have approved them. The approval of our employees is required for the conclusion of all agreements and we can agree to or refuse any request for investment services. We can refuse to comply with your instructions on financial instruments transactions should we have the least suspicion that the instructions do not come from you or we suspect that such trading may violate the Securities Transactions Act. If an employee of Arion Bank suspects that trading is contrary to the Act, the Bank may be obliged to notify the relevant authorities.

We require all agreements, with the exception of spot exchanges with financial instruments, to be confirmed in writing by both parties. In the case of spot exchange with financial instruments we will confirm the trade unilaterally by letter, fax or e-mail. If you do not comment within three (3) days from when we sent the letter, fax or e-mail containing the confirmation, we will treat the trade, as stipulated in the confirmation, as being confirmed by you. If you have any comments or objections on the confirmation, the request for trade, whether made by fax, e-mail or telephone conversation, shall be the sole evidence for the trade. If we accept other types of electronic media as means of communication, data from such systems can be used as evidence for the trade. We will send an original copy of all agreements, with the exception of spot exchanges, to you. You must send us a signed original copy of the agreement within five (5) days of the agreement being sent to you. No original copies are sent for spot exchanges unless specifically requested.

We shall be entitled to act for you upon instructions given or purporting to be given by you or any person authorised on your behalf without further enquiry as to the genuineness, authority or identity of the person giving or purporting to give such instructions.

If you are a legal person and approve these Terms, you are deemed to have granted certain employees of yours authorisation to enter into transactions under these Terms, unless you specifically state otherwise in writing to us. These employees are those who hold the powers of procuration, the general managing director, the chief financial officer and those who have the appropriate authority according to your articles of association or under your authorised signature list at any time. Unless you limit their authority otherwise, they shall be authorised to enter into, on your behalf, any kind of transactions and procure any service we offer at any given time. If you wish, at a later date, to limit the authority granted herein, you must submit a written statement to that effect to us which takes effect when we have received it.

You are always entitled to request information on the status of the trading instructions you have issued to us.

11. EXECUTING ORDERS

We have established an order execution policy. The policy stipulates on which execution venues we can execute orders and how we endeavour to obtain, when executing orders, the best possible result for our clients, taking into account price, costs, speed, likelihood of execution and settlement and other relevant factors. However, when there is a specific instruction from a client, we will endeavour to follow those instructions. Please note that the order execution policy provides for the possibility that client orders may be executed outside a regulated market or an multilateral trading facility (MTF). The policy is regularly revised and can be viewed on www.arionbanki.is.

We have taken appropriate measures which provide for the fair and expeditious execution of client orders, with respect to orders of other clients or the trading interests of the Bank. These measures assume that orders which are in other respects comparable are executed in the order in which we receive them.

In case of a client limit order which is not executed as soon as it is received owing to prevailing market conditions, we shall, unless the client expressly instructs otherwise, take measures to facilitate the earliest possible execution of the order by making public immediately that client limit order in an easily accessible manner. We may comply with this obligation by transmitting the client limit order to a regulated market or MTF.

We are authorised to carry out your orders in aggregation with another client's orders. This may not be done unless it is regarded as unlikely that the aggregation of orders will work overall to the disadvantage of any client. You are advised that the effect of aggregation may work to your disadvantage in certain instances.

12. POWER OF ATTORNEY

You are authorised to issue a third party with the Power of Attorney to make agreements on your behalf, provided that the Power of Attorney is in writing and satisfactory in our opinion. The Power of Attorney shall be deemed valid until we have received a written notification of amendments to the Power of Attorney or the revocation thereof, or it becomes invalid by the nature of its content. The Attorney must present the Power of Attorney upon our request, failure to do so will mean that we are not obliged to honour the Power of Attorney and we shall bear no responsibility for any damage or loss which this may cause.

13. RECORDING

In order to ensure accuracy in our dealings and with the intention of correcting potential misunderstandings, any telephone conversations between you and us may be recorded, without any special notice being given on each occasion. These recordings are the property of Arion Bank and are made in accordance with the authority contained in Article 48 of the Telecommunications Act No. 81/2003. You agree that such recordings may be brought before a court of law and/or used as evidence on other occasions should a dispute arise on what transpired between us, such as the conditions and/or the execution of transactions. In other respects we will treat recordings of telephone conversations in the same way as other information pertaining to banking confidentiality, cf. Articles 58-60 of the Financial Undertakings Act No. 161/2002. We assume no liability if the recording of a telephone conversation did not occur because we do not guarantee that all conversations are recorded.

14. COSTS, RATES, FEES AND PAYMENTS

You will pay our charges in accordance with our Rate List (Tariff of Charges) from time to time and/or as agreed between us in a particular transaction. You can see the Rate List on our website at www.arionbanki.is/verdskra or at any of our branches.

Charges: We may deduct charges from any funds held by us on your behalf. The charges may include any applicable tax, duty and Arion Bank's fees and all other costs payable in connection with Transactions effected on your behalf. In accordance with our Rate List, we will charge you interest (both before and after any judgment/ruling) on any amount you failed to pay us when it was due calculated at the rate stated in these Terms (Default Interest) unless you pay such charges at the time they are incurred. Furthermore, we may, without notice to you, withhold or deduct any payments, dividends, interest or any other sums whatsoever due to you if we in our sole discretion determine that we are or may be required to do so under the laws, rules or regulations of any jurisdiction.

Fees may, in some instances, by agreement between us, be higher or lower than the fees stated in the Rate List.

The current Rate List states how custody commission is calculated and debited and other costs are debited as and when they occur, unless otherwise agreed.

Currency indemnity: If a cost is incurred in any other currency than ISK, whether pursuant to a judgment/ruling of any court or otherwise, you indemnify us and hold us harmless from and against any cost (including costs of conversion) and loss suffered by us as a result of receiving such amount in a currency other than the currency in which it was due.

Tax indemnity: All payments by you under these Terms shall be made without any deduction and free and clear of and without deduction for or on account of any taxes, except to the extent that you are required by law to make payment subject to any taxes. If any tax or amounts in respect of tax must be deducted from any amounts payable or paid by you hereunder, you shall pay such additional amounts as may be necessary to ensure that we receive a net amount equal to the full amount which we would have received had payment not been made subject to tax.

Default costs: In the event of default you agree to pay us, in addition to the fees set out in the Rate List, all costs which we may have to bear in respect of the default, such as costs relating to court cases, legal fees and other charges that we have to pay and other legal expenses which may accumulate in accordance with these Terms.

Please contact us for further details regarding our rates and fees.

15. LIEN

We have a lien over all financial instruments and funds in your custody account for due payments which we are entitled to from you in respect of your trading in financial instruments. We are authorised to sell the financial instruments to cover payment of all such debts and associated interest and costs. We will however give you sufficient time, as we deem appropriate, to pay the debt.

When you buy financial instruments and on the date of settlement there are insufficient funds to settle the transactions and no special grace period has been agreed upon between us, we are authorised to sell all or some of the financial instruments in question as we deem appropriate. We have a claim against you for any difference between the purchase price of the financial instruments and the price at which they are sold, plus costs.

16. COLLATERAL

a) Collateral for trading and additional collateral

If we request that you provide collateral before trading, you must provide collateral which we consider sufficient each time. We are entitled to demand collateral which we consider to be sufficient each time, regardless of whether or not we have demanded collateral before. We are authorised at any time to demand additional collateral, for example if we believe that the collateral is insufficient, because for example we are of the opinion that the value of the pledge has decreased, or because the valuables which are secured have decreased in value or because of the market conditions. You furthermore undertake to enter into and sign a special pledge agreement or a security agreement or other comparable document if we so request. We have full discretion as to how we evaluate the collateral value in question and whether it is sufficient.

If you use assets in a custody account as collateral, the custody account shall be held with us, unless otherwise agreed. Collateral put forward by you in the form of electronic financial instruments shall be pledged in your ISD (Icelandic Securities Depository) account which is connected to your custody account with us. If you pledge financial instruments in paper format, the financial instruments shall be in our physical custody. If such financial instruments are later registered electronically, your approval of these Terms also grant us a power of attorney for us to open an ISD account in your name and to transfer the financial instruments into this account. If collateral has been provided, you are not entitled to assign this collateral without our approval.

If an agreement between us stipulates that collateral value shall always be above a specified minimum, whether based on the assessed value of the pledge or the value of those agreements for which they are acting as collateral and the collateral value falls below the specified minimum, you must put up additional collateral so that the specified minimum will be maintained within the time frame specified by us.

We reserve the right to regularly assess the value of the assets you provide as collateral at any given time. This assessed value may be different from market value at any given time and is based on our internal rules. Such an assessment is our basis for assessing collateral value unless otherwise agreed. We reserve the right to revise these internal rules regularly. Under no circumstances are we obliged to call for collateral or ask you to come up with additional collateral. You are required at all times to monitor the market value of the collateral you have provided us with and monitor that they satisfy your obligations with us. You may provide further collateral than that demanded by the Bank. In the case of a sharp fall in the market value of such instruments that in our opinion compromises your ability to fulfil your obligations, considering the collateral, if any, you have provided us with, we may without any prior notice sell some or all of such instruments provided as a collateral.

b) Time limits

Should we request collateral or additional collateral, you must provide us with the sufficient collateral within five (5) working days of such a request being made, unless otherwise agreed. Changes in market conditions, however, may in some circumstances lead to a shorter deadline being set and we may in such circumstances set a shorter deadline, even request collateral on the same day, or before any previously agreed deadline. If sufficient collateral/additional collateral is not provided within the specified time limit, this represents an event of major default, cf. Article 18 of these Terms.

17. NETTING

With regard to netting in financial instruments trading, the following provisions apply:

1. If agreements covered by these Terms involve mutual obligations which must be completed in the same payment on the same day, e.g. same currency or same kind of financial instrument, we can decide to net the obligations so that only the difference, if any, is paid.
2. If agreements covered by these Terms involve mutual obligations which must be completed on the same day but not in the same payment, we can nevertheless decide to net the obligations so that only the difference, if any, is paid. If payments are not in the same currency we can convert the payment into Icelandic króna or other agreed upon currency before the obligations are netted.
3. If your obligations according to an agreement covered by these Terms are terminated, cf. Article 18, we can use netting on claims in accordance with all agreements covered by these Terms so that the profit and loss of each party will be settled in a single action, and only the difference, if any, will be due by either party. This does not limit our right to set-off that payment against other obligations you may have with us.

Settlement according to this Article, i.e. assessment of the value of the financial instruments and conversion, shall be performed as prescribed in subsection d) in Article 18. Should we decide to net, we will inform you with at least five (5) working days' notice, unless otherwise agreed or we deem it necessary to shorten the notice period.

By accepting these Terms, you agree that a written agreement has been made between you and us in accordance with Chapter V of the Act on Securities Transactions, as amended, that your obligations and our obligations, according to the agreements on derivatives, mentioned in Article 40 in the Act on Securities Transactions, shall be balanced against each other by means of netting, upon renewing or defaulting, suspension of payments, composition, or liquidation, and that the agreement shall remain fully valid despite the provisions of Articles 91 and 100 of the Insolvency Act No. 21/1991 with subsequent amendments.

18. DEFAULT, OUR AUTHORISATION TO CALL YOUR OBLIGATIONS DUE AND PAYABLE ETC.

a) Minor default

If you do not fulfil your obligations in accordance with these Terms, or agreements which refer to these Terms, and this default is not considered major, you shall have five (5) working days to correct the events which resulted in the default. This deadline shall be counted from the time when the default began. If you have not remedied the default within the time frame specified above, it shall be considered a major default, as defined in subsection b).

b) Major default

When a major default occurs, we are authorised, but never obligated, to call your obligations due and payable. We are then authorised to use netting or set-off, as applicable, as described in Article 17.

We are permitted, but not obligated, to call due or terminate an agreement and/or agreements without warning when you fail to fulfil your obligations in a major fashion. Closing by reverse contract which eliminates total market risk shall take place at a normal price in relation to market price, market interest rates, and the terms you enjoy with us at any given time. When calculating profit/loss, market conditions on the termination day are taken into account.

The following events shall always be considered as major defaults in this context:

- If you have not remedied a minor default within five (5) working days, in accordance with subsection a) of this Article.
- If you are involved in other defaults of payments with us, but which are not covered by these Terms, and you have not remedied these defaults within five (5) working days of the default commencing, or you are repeatedly involved in defaults of payments with us.

- If you do not provide collateral/additional collateral before the specified deadline, cf. Article 16 or your loss from the agreements exceeds 80% of the market value of the collateral, unless otherwise agreed.
- If signed original copies of agreements have not been delivered to us within five (5) working days of the date on the agreement, or before the due date if this is within this time limit.
- If (i) you are ordered to pay a monetary debt which is entered in the defaulting debtor database, (ii) attachment is made on your property, (iii) you request suspension of payment, (iv) you enter into a composition, (v) you enter into any agreements with general claimants on the partial cancellation of debt, (vi) a request is made for your bankruptcy (or law permits or demands that such a request is made), (vii) a request is made for the forced sale of your assets or (viii) your financial status, in our opinion, is such that there is a likelihood that you will not be able to keep your obligations in accordance with these Terms.
- If you have neglected your obligation to provide information according to these Terms.
- You cease to carry on business.

c) Notifications

We will inform you when your obligation has been called due and payable or an agreement/agreements have been terminated as a result of major default.

If a contract is terminated or you default on a payment on the due date, we will send you a notification of our calculation of the amount which must be paid and, depending on the circumstances, the value of the collateral which has been foreclosed. The notification shall be sent no later than fifteen (15) days after the due date, date on which the amount was called due, or the day on which the collateral was foreclosed.

You must inform us immediately of all existing or foreseeable incidents of default according to these Terms and agreements connected to them.

d) Methods of settlement, valuation and calculations

When netting is applied, payment under an agreement is due or there is a closing of an agreement/agreements, we will calculate your profit/loss on the agreement(s) and the market value of the collateral. We will then send you this calculation no later than fifteen (15) days after the agreement(s) has been called due and payable or terminated.

When assessing the market value of financial instruments listed on a regulated market, the closing price on the relevant stock exchange the day before the valuation takes place shall be used as a frame of reference. If price formation on that day was unusual in our opinion, we are permitted to base the valuation on the average closing price over several business days and take into consideration the volume of financial instruments on separate days.

We are permitted but not obligated to convert unfulfilled claims in a foreign currency into Icelandic króna on termination day or, according to circumstances, on the due date of the claim or later. In such circumstances the buying rate of the Central Bank of Iceland at 11:00 a.m. on the day of settlement shall be used as a frame of reference.

e) Calculation of default interest

You will pay default interest on our claims in accordance with a decision of the Central Bank of Iceland at any given time, on default interest base and default surcharge, cf. Paragraph 1, Article 6 of the Interest and Price Indexation Act No. 38/2001, on the sum called payable, from the due date/date the sum is called payable to the date of payment, regardless of whether the claim is in Icelandic krónur, has been converted into Icelandic krónur or is in a foreign currency.

Unpaid default interest will be added to the principal debt every twelve (12) months, the first time being twelve (12) months after the first day of default, regardless of whether it is in Icelandic króna, has been converted into Icelandic krónur or is in a foreign currency.

f) Costs

In the case of default on your part, you undertake to pay us, in accordance with these Terms and in addition to the costs according to the Rate List, the following costs: all costs which we must pay because of the default, the costs of any court proceedings or other court costs, legal fees or other expenses to be paid by us, and other legal expenses incurred in collection in accordance with these Terms.

g) Debiting accounts

If a claim is not settled on its due day or, depending on the circumstances, the termination day, we are authorised to debit your account with us, in the currency in which the claim is made, if possible, and thereby settle the original claim. The due date is determined according to agreement or general practice.

h) Authorisation to demand satisfaction

If your obligations are called due and payable or a contract/contracts is/are terminated, in part or in whole, we are authorised, without any prior warning, to demand satisfaction for our claims from the collateral which you have provided in the manner chosen by us, i.a. by selling financial instruments without forced sale. We may choose whether to demand satisfaction from all the collateral or only a part thereof, and in which order this is carried out.

19. CONTRACTUAL RESPONSIBILITY AND DECLARATION OF INDEMNITY

We are not responsible for notifying you on the status of agreements or if they are called due at a determined point in time, unless we have specifically agreed this with you in respect of each agreement. It is therefore your responsibility to monitor the status and development of the agreements you have made with us.

If we call due any of your obligations and you sustain damages thereby due to market conditions, we will not be liable for them. This includes, but is not limited to, lost profits or dividends from financial instruments.

Market conditions can change greatly over a short period of time and we therefore cannot guarantee that it is possible to process your request for trading at the requested price. We do not assume responsibility for any damage, which you may sustain, if the request for trading is processed at a less favourable price than you assumed when you made the request, e.g. changes to the price during the time it takes to process the request. We do not assume responsibility if the financial instrument does not generate the return expected by you or us or if the exchange rate does not develop as expected. We are also not responsible for any damage or loss caused directly or indirectly by information from or actions by a third party or as a result of our statutory obligations.

We are not responsible for any damage which you may sustain if orders are not executed if we suspect there is a lack of authority to issue such orders or if we suspect the orders do not come from you.

We are not obliged to inform you of notifications from individual issuers of financial instruments. It is your responsibility to keep abreast of any notifications from issuers, that may affect you.

You are responsible for e.g. tax, legal and accounting consequences connected to your dealings and you are encouraged to seek independent advice on e.g. tax, legal and accounting matters, as you deem appropriate.

If you do not fulfil your obligations towards us, and as a result we foreclose on your collateral or we use any related provisions thereto, and the collateral is sold, or foreclosed in any way, at a lower price or value than assumed by you, we shall bear no responsibility.

If tax and/or official fees are imposed on the investment services covered by these Terms, you shall pay the additional fees directly to the relevant authority so that we receive full payment for the sums due, which shall be paid to us in accordance with the relevant agreement. If the relevant legislation calls for us to withhold the tax or fee, we are authorised to gross up payments due to us, so that the net sum (without tax) is the sum agreed to between us.

We do not accept responsibility for any damage or loss which you may sustain as a result of force majeure as defined in Article 20.

We do not accept responsibility for any damage or loss resulting from events of a political, financial, technical (including disruption of telecommunications), or economic nature and which are likely to prevent, disconnect or disturb in part or in whole the services which we provide even if such events are not categorised as force majeure.

We do not accept responsibility for any damage or loss, which you may sustain resulting either directly or indirectly from a breakdown of our equipment and computer equipment or from other comparable causes, such as disruption to our post system, telephones or fax machines. If you suffer damage on account of notices between us being miscarried, for example if an e-mail is not received for some reason, letters are not delivered, a technical problem occurs, or a misunderstanding is caused because of indistinct instructions given by fax or telephone, we are not liable for such damage.

It may happen that we cannot execute a trade because of malfunctions, incorrect external information, etc. We are not responsible for any damages because of such event.

General exclusion: Neither we nor our directors, officers, employees, or agents shall be liable for any losses, damages, costs or expenses incurred or suffered by you under this or any Agreement governed by these Terms (including any Transaction or where we have declined to enter into a proposed Transaction) due to negligence unless such loss arises directly from our or their gross negligence, wilful default or fraud. In no circumstances shall liability include losses suffered by you or any third party for any special damage, or loss of profits or loss of goodwill or loss of business opportunity arising under or in connection with this Agreement, whether arising out of negligence, breach of contract, misrepresentation or otherwise.

Tax implications: We do not accept liability for any adverse tax implications of any Transaction whatsoever.

Changes in the market: We do not accept any liability by reason of any delay or change in market conditions before any particular Transaction is effected.

20. FORCE MAJEURE

In these Terms "force majeure" shall mean any cause preventing us from performing any or all of our obligations which arise from or are attributable to either acts, events or omissions or accidents beyond our reasonable control, including, but without limitation, any breakdown, malfunction or failure of transmission or computer equipment, act of God, war, terrorism, malicious damage, civil commotion, industrial action, acts and regulations of any governmental or supra national bodies or authorities.

If we are prevented from performing any of our obligations under any Agreement by force majeure, we will serve you a notice by verifiable means specifying the nature and extent of the circumstances. We will not be obligated to perform any of our obligations under any Agreement on the occurrence of a force majeure event or while a force majeure event is continuing. We shall use all reasonable endeavours to bring the force majeure event to a close or find a solution by which the Agreement may be performed despite the continuance of a force majeure circumstance. We shall take all reasonable steps to resume performance as soon as is reasonably possible following the cessation of a force majeure event. In any event we shall not be liable to you for any delayed performance, partial performance or non-performance of our obligations hereunder by reason of force majeure.

21. TERMINATION

You can terminate your business relationship with us without notice. We can terminate our business relationship with you with four weeks' notice. The financial instruments and other assets shall be delivered to you at the end of the four weeks. If you terminate the business relationship without notice, we will deliver all assets held in our custody to you as soon as possible. If you fail to take appropriate action or fail to give us sufficient information for us to transfer your assets, we are authorised to hold them in custody on your behalf and expense, in accordance with these Terms, until you have taken appropriate action.

22. MISCELLANEOUS

Death of a client: In the event of the death of a Client, we must be informed accordingly, and an authorised party shall inform us on how to allocate the rights and commitments of the deceased. If we have not received the information from such party within ten (10) days from the death of the Client, previously provided information, e.g. authorisations to represent the deceased, will be considered valid, and we are also authorised, but not obliged, to call due and payable and/or terminate any agreement/agreements between the Client and us. We bear no responsibility for any damage sustained as a result of this. We also reserve the right to refuse to follow instructions if there is the slightest doubt as to who is entitled to make decisions concerning the rights and commitments of the Client after his death, and we bear no responsibility for any damage as a result of refusing to follow instructions.

Liquidation and merger of legal person: In the event of the liquidation/merger of the legal person, we must be informed accordingly, and an authorised party shall inform us on how to allocate the rights and commitments of the Client. If we have not received the information from such party within ten (10) days from the liquidation/merger of the Client, previously provided information, e.g. authorisations to represent the Client, will be considered valid, and we are also authorised, but not obliged, to call due and payable and/or terminate any agreement/agreements between the Client and us. We bear no responsibility for any damage sustained as a result of this. We also reserve the right to refuse to follow instructions if there is the slightest doubt as to who is entitled to make decisions concerning the rights and commitments of the Client after the liquidation/merger, and we bear no responsibility for any damage as a result of refusing to follow instructions.

Partial invalidity: If, at any time, any provision of these Terms is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these Terms nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired.

Complete invalidity: If, at any time, these Terms are or become invalid between you and us, the previous Terms and Custody Agreement which you agreed to (if such is the case) shall govern your and our legal status.

Governing law and jurisdiction: These Terms as well as agreements made on the basis of these Terms, unless otherwise specified, are subject to and governed by Icelandic law. Should any legal proceedings arise regarding this agreement they shall be heard before Reykjavík District Court (Héraðsdomur Reykjavíkur).

Waiver of immunity: You irrevocably waive to the fullest extent permitted by applicable law, with respect to yourself and revenues and assets (irrespective of their use or intended use) all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of your assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which you or your revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and you irrevocably agree, to the extent permitted by applicable law, that you will not claim any such immunity in any proceedings.

Note. *This is an English translation of the General Terms of Business for Investment Services between Arion Bank hf. and its Clients. If there are any discrepancies between the English and the Icelandic versions, the Icelandic version shall apply.*