

Íslandsbanki General Terms and Conditions

for Trading in Financial Instruments



1. General

1.1. General scope

The following terms and conditions apply to trading in financial instruments between Íslandsbanki hf. and its clients. Íslandsbanki's General Terms of Business and other specific terms and conditions for services provided in connection with financial instruments trading apply concurrent to these terms and conditions. If there is a discrepancy between these terms and conditions and other contractual terms and conditions regarding specific transactions, these terms and conditions shall be subordinate to those special terms and conditions or contractual provisions.

In regard to use of terms and definitions in these general terms and conditions reference is made to Act No. 115/2021 on Markets in Financial Instruments.

These terms and conditions, amendments to them and terms and conditions that may replace them can be accessed on Íslandsbanki's website www.islandsbanki.is/investorprotection, as well as information and material related to trading in financial instruments which the Client shall familiarize himself with, including Íslandsbanki's Rules on Best Execution of Orders, information on client classification, information on financial instruments and associated risks, an excerpt from the Conflicts of Interest Policy of Íslandsbanki and the Tariff of Charges for Investment Services, together with information regarding principal regulatory and legal remedies available to client.

1.2. About Íslandsbanki hf.

Íslandsbanki hf. (Icelandic ID No. 491008-0160), hereinafter referred to as Íslandsbanki or the Bank, has its headquarters at Hagasmári 3, 201 Kópavogur, Iceland. To obtain information on how to contact an individual branch or department of the Bank, it is possible to call Contact Centre on (+354) 440 4000 or visit the Bank's website, www.islandsbanki.is. Clients can communicate with the Bank in Icelandic and English. Communication in other languages may be possible.

1.3. Supervision

Íslandsbanki is a financial undertaking licensed by the Financial Supervisory Authority of the Central Bank of Iceland to operate as a commercial bank. The Financial Supervisory Authority supervises the Bank's operations in accordance with Act No. 87/1998 on Official Supervision of Financial Activities and other applicable laws and regulations. The Financial Supervisory Authority has its headquarters at Kalkofnsvegi 1, 101 Reykjavík. Additional information about the Financial Supervisory Authority may be obtained on its website, www.en.fme.is.

1.4. Purpose

The purpose of these terms and conditions is to clarify the legal relationship between Íslandsbanki and the Client relating to trading in financial instruments, to inform the Client of the nature of the agreements that fall under these terms and conditions, to inform the Client of the risks involved in such trading and to enable the Client to assess his/her legal status in business relations with the Bank. Clients are encouraged to familiarize themselves with applicable laws and regulations regarding trading in financial instruments at any given time and to seek external advice when appropriate.

2. Custody of client assets and nominee registration

2.1. Íslandsbanki's custody accounts

When a business relationship between the Client and Íslandsbanki regarding trading in financial instruments is established, a custody account is set up in the Client's name on the basis of these terms and conditions.

Íslandsbanki's custody account is a record encompassing the Client's financial instruments. Financial instruments purchased through Íslandsbanki's mediation remain in the Bank's custody unless the Client requests that they be kept elsewhere. The Client can request that other financial instruments in his/her possession be placed in Íslandsbanki's custody. If financial instruments that should be in Íslandsbanki's custody, pursuant to power of attorney to that effect, are delivered directly to the Client, the Client shall notify Íslandsbanki of this without delay and the Client shall ensure that the financial instruments are placed in the Bank's custody as soon as possible. Equally, the Client shall notify Íslandsbanki if he/she sells unissued financial instruments registered in his/her custody account at the Bank. If the Client does not deliver a financial instrument to Íslandsbanki that has been delivered directly to him/her, but which he/she has purchased through Íslandsbanki's mediation and should be in the Bank's custody, the Bank will remove it from his/her custody account with Íslandsbanki.

Íslandsbanki undertakes to retain the Client's financial instruments and other valuables in a custody account in a secure manner and will be responsible for their custody. Further information on segregation of assets can be found in article 2.6.

2.2. Outsourcing the custody of financial instruments

Íslandsbanki is authorized to entrust third parties with administering custody of the Client's financial instruments and with settlement and related tasks, such as in the case of foreign financial instruments.

If the Bank enters into an agreement with a third party regarding the custody of financial instruments, the financial instruments of the Client and of the Bank may serve as guarantees for the settlement of transactions involving financial instruments. In such instances a third party, as custodian, may be entitled to a set-off.

The legal relationship between the Client and the Bank shall remain unchanged even if the Bank exercises its right under this paragraph.

The Bank's liability with respect to the actions or inaction of a third party is subject to applicable laws, rules and regulations.

2.3. Nominee registration

Íslandsbanki is authorized to keep the Client's financial instruments in a nominee account when this is appropriate, in accordance with Act No. 115/2021 on Markets in Financial Instruments. The nominee registration entails the service provided by Íslandsbanki for the custody of its client's assets in their own account and accepting payments on behalf of its client from individual issuers of financial instruments.

Clients are informed that, in accordance with Regulation No. 706/2008 on Nominee Registration and the Custody of Financial Instruments in Nominee Accounts, Íslandsbanki is obliged to provide information to the Financial Supervisory Authority on nominee registration and custody of financial instruments in a nominee account. The primary legal effects of nominee registration are:

- the Client/beneficial owner cannot exercise voting rights deriving from financial instruments registered to nominee accounts,
- nominee registration of financial instruments may result in disputes regarding the ownership of financial instruments in the event of bankruptcy, a payment moratorium, dissolution of the Bank or other comparable measures that can cause rights to be lost. The Client can remove his/her financial instruments from the nominee account if there is no dispute regarding the Client's ownership,
- the Client/beneficial owner will not be listed in the register of shares for the company in question with respect to financial instruments in nominee accounts. Dividends or other rights arising from the company are deposited in Íslandsbanki's nominee account, and the Bank registers the rights as the Client's property, in accordance with Íslandsbanki's nominee registration.

2.4. Transactions outside the EEA

If the Client requests transactions involving financial instruments registered outside the European Economic Area the Client's assets, whether in the Client's custody account or in Íslandsbanki's nominee account, may be subject to legislation outside the jurisdiction of the European Economic Area, which may result in a different legal status for the Client than that deriving from these terms and conditions and Icelandic law.

2.5 Central Securities Depository custody accounts

Íslandsbanki is authorized to open a custody account with securities depository in the name of the Client. A custody account is a record of the account holder's ownership rights with respect to electronically registered securities, registered with a securities depository, and can accommodate various types of electronic certificates. Íslandsbanki acts as an intermediary (account operator) with regard to the registration of ownership of electronic certificates within the securities depository under an association agreement and relevant laws and regulations.

2.6. Segregation of financial instruments and other assets

Íslandsbanki takes the appropriate measures at any given time to keep the financial instruments and other assets of its clients in accordance with law. Íslandsbanki will keep financial instruments and other assets of the Client securely segregated from the assets of the Bank and of its other clients in a special account registered in the Client's name. Act No. 98/1999 on Deposit Guarantees and Investor Compensation Scheme applies to the assets of Íslandsbanki's clients as appropriate.

3. Instructions regarding trading and execution

3.1. Identification in trading

In transactions with certain types of financial instruments Íslandsbanki is obliged to identify clients in a certain manner. These identifiers are used in reporting to supervisors and differ depending on whether the Client is a legal person or an individual.

3.1.1. LEI for legal entities

A Legal Entity Identifier (LEI) is a 20-digit alpha-numeric code used to identify clients which are legal entities. The reception and transmission or execution of certain transactions is prohibited unless the Client provides Íslandsbanki with an issued valid LEI. For example, LEI is required both when buying and selling securities that are traded on a trading venue and when trading in derivatives. The Client shall notify Íslandsbanki of his assigned LEI and of any changes related to his LEI identifier. Further information can be found at www.islandsbanki.is/LEI-EN.

3.1.2. National Client Identifier

National Client Identifier (NCI) is used to identify clients who are individuals and is determined by the nationality of each client. The reception and transmission or execution of certain transactions is prohibited unless the Client provides Íslandsbanki with his NCI. For example, NCI is required both when buying and selling securities that are traded on a trading venue and when trading in derivatives. Further information can be found at www.islandsbanki.is/NCI-EN.

3.2. Trading instructions

The term 'trading instructions' refers to the Client entrusting Íslandsbanki with carrying out trading in financial instruments on his/her behalf. The Client bears full responsibility for his/her instructions.

The Client can request that his/her trading instructions be changed or revoked until they have been executed. The term 'execution of instructions' refers to Íslandsbanki putting an agreement in place on the Client's behalf regarding the purchase or sale of financial instruments or to the Bank having carried out a transfer or delivery of financial instruments in accordance with the trading instructions. In its execution of trading instructions, the Bank will seek to obtain the best possible result for the Client, in accordance with Íslandsbanki's Rules on Best Execution of Orders, see www.islandsbanki.is/investorprotection for further details. Once trading instructions have been executed they are binding for the Client and cannot be changed or revoked.

Financial instrument transactions are delivered to or from the Client's custody account on the same day they occur or as soon as the prices and/or exchange rates for them are apparent, but settlement occurs later in accordance with the rules of the market in question.

3.3. Changes to trading instructions

Changes in the quantity or value of the financial instrument which the trading instructions refer to, are regarded as a revocation of the trading instructions and will be treated as new trading instructions. Changes to trading instructions can have an effect on their sequence in trading systems. Íslandsbanki reserves the right to collect commissions, fees, charges and other costs that may be incurred due to the revocation of trading instructions. The Client shall reimburse Íslandsbanki all costs and damages that may be incurred from such a revocation.

3.4. Contents of trading instructions

The Client's trading instructions shall be clear and conclusive and shall at a minimum contain the following information:

- The Client's name and Icelandic Identification number.
- Which financial instrument(s) the instructions relate to.
- Whether the purchase or sale of financial instruments is being requested.
- The quantity, i.e. the number of units or the total amount of the transactions.
- Price or limit order, if applicable.
- Validity of the trading instructions, if applicable.

3.5. Reception of trading instructions

The Client may deliver trading instructions to Íslandsbanki on a durable medium e.g. in writing, by telephone to Íslandsbanki's office number, by email or by any electronic means approved by the Bank. If communication takes place at a meeting, minutes or notes shall be written. Such instructions shall be equivalent to instructions received by telephone. Written trading

instructions are considered to have been received once they have been read by an employee of Íslandsbanki. Íslandsbanki reserves the right in all cases to request security information before instructions from the Client are executed and to request confirmation of instructions within the time limit decided by the Bank.

3.6. Responsibility for trading instructions

The Client bears all responsibility and risk for trading instructions being delivered to the Bank in a satisfactory manner. Íslandsbanki reserves the right not to follow instructions if the Bank's employees have a reasonable doubt that the instructions have been issued by the Client, if there is doubt about their substance, if the instructions are peculiar or unusual compared to previous transactions or unusual compared to what is customary in comparable trading or if executing them conflicts with laws or regulations in any way.

3.7. Right to refuse to execute trading instructions

The Bank may, at its own discretion and without justification, refuse to carry out any trading instructions and in such cases the Client has no claim against the Bank regarding the execution of individual trading instructions on the basis of these terms and conditions. The Bank may also refuse to enter into any agreement with the Client if the Client does not provide the Bank with documentation, information or collateral for the transaction which the Bank may require, all at the Bank's discretion, or if the Bank believes that the agreement could be in conflict with the law and/or general market practice or if it is unusual in any respect.

3.8. Right to invalidate trading instructions

Íslandsbanki reserves the right to invalidate and delete an offer from the order book if, in the Bank's opinion, it is intended to have an abnormal effect on price determination in the trading system of the trading venue in question, or if the offer is devoid of any commercial purpose or is intended to hinder or prevent other parties' access to the trading system. Furthermore, Íslandsbanki reserves the right to cancel transactions that derive, for example, from indisputable error, that violate laws or regulations or that derive from technical disturbances in trading and/or settlement systems.

3.9. Notifications

If the Bank exercises its right not to follow instructions, the right to refuse to execute transactions or the right to cancel or delete offers from the order book in accordance with Articles 3.5-3.8 of these terms and conditions, the Bank shall notify the Client of this as quickly as possible.

The Bank bears no responsibility for any loss that the Client may incur if the Bank does not follow instructions, refuses to execute transactions or annuls or deletes orders from the order book in accordance with Articles 3.5-3.8 of these terms and conditions.

3.10. Trading instructions through Online Banking or App

Transactions executed through Íslandsbanki Online Banking (hereafter referred to as Online Banking) or Íslandsbanki's App (hereafter referred to as App or the App) in financial instruments that are traded on a trading venue, are executed in the trading system of the venue in question and this means that the Client's offer for trading in financial instruments, which Íslandsbanki receives through the Online Banking platform or App, via other electronic communications with the Client, is automatically recorded in the trading system of each venue.

Generally, the trading in units of funds do not take place on a trading venue, but is registered in the trading system of the financial institution that handles the asset registration of the relevant funds.

3.11. Rules of the relevant trading venue apply to trading instructions

All transactions that Íslandsbanki executes in accordance with the Client's instructions shall be subject to the rules of the trading venue where the transactions take place. The transactions shall be considered to have taken place where the financial instruments in question have been admitted to trading. In this context, the term 'rules' refers to any applicable laws, regulations and rules (written as well as unwritten), resolutions, trading norms and so forth. The Client is considered to be bound by all such rules in the same manner as if he had conducted the transactions without the mediation of Íslandsbanki.

3.12. Notification of transactions

The Bank shall provide through the Online Banking or App a notification to clients regarding the execution of trading instructions no later than the next business day after the execution of the trading instructions in question, unless there is a specific agreement to the contrary or the Bank receives confirmation from a third party. If the Bank receives confirmation from a third party, the Bank shall provide a notification of the transactions no later than the first business day after such

confirmation has been delivered to the Bank, unless another party provides the Client notification containing the same information without delay.

3.13. Notification to regulators

Following transactions involving financial instruments that are subject to a duty of notification under laws and regulations, the Bank is obliged to give the appropriate regulators notice of the transactions or an offer of a transaction, if applicable.

4. Settlement and sales right

4.1. Settlement

The Client shall ensure that the financial instruments or assets that he/she is obliged to deliver on the settlement day are in place in the designated accounts upon the execution of transactions. The Client is responsible for any loss that the Bank may incur due to financial instruments or assets not being in place in the designated accounts.

4.2. Sales right

When financial instruments are delivered into the Client's custody account on the day that the transactions take place, but payment does not take place on the settlement day, the Client authorizes Íslandsbanki to sell the financial instruments in question, in part or in whole, on any trading venue, domestic or foreign, which the Bank may decide upon, or have them sold in a forced auction or realize their value in any other manner that the Bank chooses and allocate the proceeds for prompt and full payment of the purchase price of the relevant financial instruments, the principal, interest, indexation, exchange rate difference, penal interest, collection costs or any other costs and expenses, at Íslandsbanki's full discretion.

4.3. Reclamation

If Íslandsbanki exercises its right to sell, the Bank shall have a claim against the Client for any difference between the purchase price of the financial instruments in question and the sale price, in addition to expenses. The Client bears the risk arising from changes in the price of the financial instruments in question.

4.4. Transfers

If there is any need of any further action by the Client to allow the change of ownership of the financial instruments, the Client undertakes to take all necessary measures to that end. If the Client does not give his/her full cooperation and assistance, Íslandsbanki shall be entitled to seek the assistance of the district magistrate or court, in order to perform the Client's duties.

5. Recording of telephone calls and storage of documents

5.1. Recording of telephone calls and documentation of communications

In order to secure the proper execution of instructions, the Client agrees that all telephone conversations with Íslandsbanki employees may be recorded. Furthermore, the Client agrees that all other communication between him and the Bank's employees, that lead or may lead to transactions, e.g. electronic communications and minutes, will be documented and preserved, without further prior notification, and if necessary, may be used to settle any dispute that may arise in relation to client's transactions with Íslandsbanki. The Client agrees that all such recorded or documented communications are considered to be full proof of what was agreed between the parties.

5.2. Storage of documents

Any and all documents, which contains information regarding the Client's transactions and their execution is stored at the Bank for at least seven years. Amongst other things, this documentation contains information that must be provided on the basis of Act No. 140/2018 on Measures against Money Laundering and Terrorist Financing.

6. Trading in financial instruments in Íslandsbanki's Online Banking or App

6.1. Trading in the Online Banking or App

The Client may commence trading in financial instruments through Online Banking or App when he/she has approved relevant terms and conditions. When trading in financial instruments through Online Banking or App, the above-mentioned terms and conditions for Online Banking and App apply in parallel with these terms and conditions.

Íslandsbanki reserves the right to cut off access to Online Banking or App temporarily, without notice and without notification, if it is necessary on account of file updates, system alterations or any kind of malfunction, etc.

The Online Banking and App platform do not offer a direct electronic access to trading venues within the meaning of the Act on Markets in Financial Instruments.

6.2. Responsibility

Transactions involving financial instruments in Online Banking and App are entirely at the initiative and under the responsibility of the Client. Íslandsbanki is not required to assess whether transactions involving non-complex financial instruments in Online Banking/App are appropriate for the Client. In execution of such transactions, clients do not enjoy the protection given by such an assessment, cf. Paragraph 5, Article 45 of Act No. 115/2021 on Markets in Financial Instruments. When the Client intends on trading in complex financial instruments in Online Banking or App the Bank is obliged to assess whether the transaction is appropriate for the Client and therefore the Client must answer the appropriateness questionnaire before any transactions are made.

The Client shall be fully responsible for his transactions in Online Banking or App. Orders made in the trading systems of trading venues through Online Banking and App are binding for the Client. The price that appears in such an order is binding for the Client and the counterparty. Íslandsbanki accepts no risk or responsibility on behalf of the Client for his trading in a trading venue. The Client is prohibited from distributing official market information from trading systems of trading venues.

Trading instructions executed through Online Banking or App are considered specific instructions in the sense of Article 48 of Act No. 115/2021 on Markets in Financial Instruments. The Bank is considered to have fulfilled its obligations under Article 48 of the Act on Markets in Financial Instruments by means of their execution.

7. Power of attorney

Everything that Íslandsbanki does on the basis of the following power of attorney shall have the same validity as if the Client had done it himself/herself.

7.1. Power of attorney for the custody of financial instruments

The Client hereby grants Íslandsbanki complete and unlimited power of attorney to register the financial instruments in his/her possession, which he/she requests to be stored at the Bank, in a custody account at Íslandsbanki and to open a custody account at a securities depository on behalf of the Client. In addition to this, a full power of attorney to request statements of the Client's shareholding from the issuers of financial instruments in order to confirm the legitimacy of the registered shareholding according to the Client's custody account, cf. the authority in Paragraph 8 of Article 30 of Act No. 2/1995 on Limited Liability Companies, in the share ledgers of the companies in question.

7.2. Power of attorney for domestic securities brokerage

The Client hereby grants Íslandsbanki complete and unlimited power of attorney to trade financial instruments registered in his possession in accordance with his/her instructions or as appropriate under other special agreements, e.g. *Asset Management Agreement* or *Advisory Services Agreement*. This power of attorney extends to the execution of all acts necessary to execute the brokerage of securities, including all acts necessary to buy and sell financial instruments, to transfer them in the Client's name and to receive payments, such as dividends, instalments, indexation payments and interest from financial instruments in Íslandsbanki's custody. This power of attorney also extends to depositing money into and withdrawing money from the Client's bank account.

7.3. Power of attorney for international securities brokerage

The Client grants Íslandsbanki complete and unlimited power of attorney to enter into agreements with third parties (securities brokers, custodians of financial instruments etc.) with respect to the trading in financial instruments abroad on his account. This power of attorney extends to making any such communication as Íslandsbanki deems necessary with respect to the foreign portfolio, sending instructions regarding bank transfers, taking care of payments from the Client's bank account, receiving payments, handling settlements, executing corporate actions and other necessary tasks.

8. Investor protection

8.1. Conflicts of interest

Íslandsbanki has adopted a policy regarding conflicts of interest. An excerpt from the policy can be obtained at the website www.islandsbanki.is/investorprotection. The Client is aware that Íslandsbanki or associated parties may be the counterparties in transactions involving financial instruments and that they can execute transactions in the market for other clients at the same time that the Client's transactions are executed. The Client is aware that his/her interests, the interests of the Bank's

other clients and those of the Bank itself may differ at any given time, so that conflicts of interest may arise. Íslandsbanki cannot guarantee that such conflicts of interests will not affect the profits or losses of the Client's transactions.

Fees, commissions and other financial or non-financial benefits that Íslandsbanki receives or provides to third parties in connection with trading may be liable to cause conflicts of interest in the Bank's operations. However, Íslandsbanki is authorized to receive and retain a minor non-financial benefit that enhance the quality of service provided to clients and do not prevent the Bank from acting in accordance with the best interests of its clients. Minor non-financial benefit can e.g. be information on financial instruments or investment services, public information from the issuer, modest hospitality and participation in conferences and seminars.

8.2. Íslandsbanki Rules on Best Execution of Orders

Íslandsbanki has adopted rules regarding the best execution of trading instructions, see www.islandsbanki.is/investorprotection. In accordance with the rules, Íslandsbanki takes sufficient steps to obtain the best possible result in the execution of the Client's instructions. The rules affect retail investors and professional investors alike. By signing *the Agreement on Trading in Financial Instruments* with Íslandsbanki hf., the Client confirms that he/she has read and approves of the Íslandsbanki's Rules on Best Execution of Orders.

8.3. Aggregating orders

Under certain market conditions Íslandsbanki may aggregate its clients' trading orders to serve their interests without any special notification thereof. The trading orders are only aggregated if the Bank considers it unlikely that the aggregation will be unfavourable to the Client. Under special circumstances, however, it is possible that these aggregations may cause a disadvantage to the Client such as when the size of the transaction has an impact on the market price of the relevant financial instrument.

The main principle applied to aggregating orders is that they are carried out in a manner that ensures that clients receive an allotment proportionate to their orders on the basis of the average price that is reached at execution. If the Bank has accumulated trades for its own account and added to one or more of the Client(s)'s orders, the trades shall be allocated in a manner that does not adversely affect the interests of the relevant client and that ensures that the Client generally enjoys priority in the allocation.

Further information regarding the handling of client's trading orders may be found in the Rules on Best Execution of Orders that can be accessed at: www.islandsbanki.is/investorprotection.

8.4. Execution of limit orders

In the case of a limit order of shares not being carried out as soon as it is received, due to prevailing market conditions, Íslandsbanki shall, unless the Client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by immediately making the Client's limit order public in an easily accessible manner, in accordance with Act No. 115/2021 on Markets in Financial Instruments. Making the order public does not always serve the Client's interests and the Client always has the option to request the order not to be made public.

8.5. Client classification

Clients who wish to trade in financial instruments are classified as retail investors, professional investors or eligible counterparties, pursuant to Article 51 of Act No. 115/2021 on Markets in Financial Instruments. Clients are notified of the category they belong to, but the classification determines how much investment protection Íslandsbanki has to provide for the relevant client. Retail investors are allowed to apply to be considered as professional investors in general or in specific trading, but Íslandsbanki is only authorized to take these requests into consideration if certain legal conditions and procedures of the Bank regarding their experience, knowledge and financial position are met. Íslandsbanki may engage in transaction with eligible counterparties without fulfilling certain conditions set out in these terms and conditions, all in accordance with paragraph 1 of Article 51 of the Act on Markets in Financial Instruments. Professional investors and eligible counterparties can request to be handled (classified) as retail investors and thus benefit from greater investment protection. Clients are responsible for keeping Íslandsbanki informed of any changes that can affect their categorisation.

8.6. Disclosure and the provision of information to clients

Íslandsbanki shall provide its clients and others to whom it offers its services explicit information on the financial undertaking itself, its services, trading venues, costs and charges related to financial instruments, the investment options offered to them and the risk involved in such investment. This information shall be clear enough to enable the Client to make informed investment decisions.

Íslandsbanki may provide information to clients electronically on a durable medium. Íslandsbanki may also provide information to clients electronically if the information is not addressed to the Client personally, including on Íslandsbanki's website, www.islandsbanki.is/investorprotection.

Íslandsbanki provides clients with information on costs and charges related to investment and ancillary services, and financial instruments, as well as payments made to or received from third parties, all in accordance with article 34 of the Act No. 115/2021 on Markets in Financial Instruments.

Íslandsbanki publishes on the Bank's website, www.islandsbanki.is, detailed information on estimated costs and charges of financial instruments and investment services to enable the Client to understand the total costs and its effect on the return of the investment. The actual costs that the Client pays depends on the financial instrument and/or service the Client chooses as well as the amount invested for. The information on the Bank's website depicts the cost of investments for variable amounts for example purposes only. Information on costs and charges do not take into account the costs involved in general risk factors related to investments in financial instruments e.g. underlying market risk.

Íslandsbanki provides clients, where applicable, with an annual statement of the actual incurred costs that the Client has paid for financial instruments and investment and ancillary services during the year. Íslandsbanki reserves the right to provide professional investors and eligible counterparties with limited information on costs and charges, all in accordance with applicable law.

8.7. Information related to assessment on suitability and appropriateness for proposed transactions

If the Bank provides the Client with services in form of asset management or investment advice, the Bank is obliged to obtain information from the Client to be able to evaluate his/her knowledge and experience of trading in the relevant financial instruments, as well as his/her financial position, including the ability to bear losses, and objectives, including risk tolerance, regarding the envisaged investment, pursuant to Article 44 of Act No. 115/2021 on Markets in Financial Instruments. Íslandsbanki is then in a position to give the Client advice regarding what type of financial instruments and investment services are suitable for the Client.

If the Bank provides investment services in forms other than asset management and investment advice, the Bank is obliged to obtain information regarding the knowledge and experience of the Client to evaluate if the trade is appropriate for the Client, pursuant to paragraph 1 of Article 45 on Act No. 115/2021 on Markets in Financial Instruments. Notwithstanding the above, pursuant to Paragraph 4 of Article 45 of Act on Markets in Financial Instruments, Íslandsbanki is not obliged to evaluate whether the trade or service is appropriate for the Client in the case of a non-complex financial instrument and if the service or trading only entails the execution, receipt or mediation of trading orders and the service is provided at the initiative of the Client (Execution Only).

Íslandsbanki may obtain less information from professional investors. In relation to investment advice the Bank is not obliged to obtain information from professional investors on knowledge and experience and financial position, including the ability to bear loss. The Bank will only obtain information on investment objectives, including risk tolerance.

The Client is responsible for providing Íslandsbanki with correct and updated information, which the above-mentioned suitability and appropriateness evaluation will be based on, pursuant to Articles 44 and 45 of the Act on Markets in Financial Instruments. If the Client does not provide correct or sufficient information the Bank will be unable to provide the service requested. The Bank will not conduct any independent investigation into the circumstances of its clients. Clients should be aware that, notwithstanding the above assessment on suitability or appropriateness, an investment decision can lead to substantial losses and the trading risk always lies with the Bank's clients. The suitability assessment is based on the moment in the time in which the evaluation is carried out. Market conditions can rapidly change, and the Client is personally responsible for monitoring market changes.

8.8. Investment advice

Íslandsbanki provides non-independent investment advice within the meaning of the Act on Markets in Financial Instruments. Non-independent investment advice means that the financial instruments for which the Bank provides advice may be issued by the Bank itself and/or parties in close links with the Bank e.g. funds managed by Iceland Funds, a subsidiary of Íslandsbanki. The investment advice provided by Íslandsbanki is therefore based on analysis of different types of financial instruments that can be issued both by entities in close links with the Bank and entities with no close links to the Bank.

When providing investment advice to retail investors the Bank will, before transactions take place, provide a statement on suitability in a durable medium in accordance with article 46 of the Act on Markets in Financial Instruments. The statement specifies the advice given and how that advice meets the preferences, objectives and other characteristics of the retail client. Where the transaction is concluded using means of distance communications e.g. by phone or electronic means, the Bank may provide the statement immediately after transactions are made. The Client has the option of delaying the transaction in order to receive the statement in advance.

Íslandsbanki does not provide regular suitability assessment on financial instruments unless otherwise stated in other agreements or terms valid between the Bank and the Client.

9. Corporate actions

Corporate actions affect financial instruments issued by the issuer in question and can result in changes to the financial organization of issuers in one way or another and may therefore affect the rights of shareholders of the issuer in question or the holders of bonds issued by the issuer in question. Common actions are, for example, the payment of dividends and stock adjustments. Íslandsbanki does not, by its own initiative, send clients notification of corporate actions such as dividend payments or stock adjustments related to financial instruments owned by clients.

It is the responsibility of the Client to monitor such notifications from the appropriate information provider and to decide whether or not to take part in individual corporate actions. The Client can convey his/her wishes regarding participation in the relevant corporate action to Íslandsbanki, which will act on the Client's behalf, if possible.

10. Notifications and statements

10.1. Delivery of notifications and statements

Clients can access information on assets and overview of transactions made in the Online Banking and App.

Íslandsbanki provides its clients a notification on execution of transactions in accordance with applicable laws and regulations. Notifications are available in the Online Banking and App and are also sent via email if it has been agreed upon.

Íslandsbanki provides its clients statements of services provided in accordance with applicable laws and regulations, unless there is a specific agreement to the contrary. Íslandsbanki provides the Client a statement of the Client's financial instruments in the Bank's custody quarterly, unless such a statement has already appeared in the regular provision of other information.

Annually, the Bank provides a statement of all costs and charges in connection with financial instruments and investment services. The statement is available under electronic documents in the Online Banking and App.

The Bank may provide statements and notifications to clients by conventional mail, telephone, email or by another electronic method on a durable medium. If the Client's system does not deliver email or hinders his access to Online Banking or App, e.g. due to system malfunctions, the Client shall bear the risk. Íslandsbanki bears no responsibility for a loss that the Client may incur due to correspondence between the Client and the Bank not reaching the other party, e.g. if the Bank does not receive an email for some reason, if mail transmissions are not delivered or if technical difficulties or if a misunderstanding arises due to unclear instructions by telephone.

10.2. Reception

Notifications and statements for Online Banking or App users are displayed in Online Banking and App and are considered to have been received by the Client when they are available there. Email is considered to have reached the Client once it has been sent. Conventional mail is considered to have reached the Client three days after postage. The Client shall notify Íslandsbanki as soon as there is a change of home address, telephone number, email address or other similar information regarding the Client. If notification of the a forementioned changes has not been delivered to Íslandsbanki, notifications and statements from the Bank are considered to have been properly received by the Client if sent to the address or email on file. The Client's legal residence shall be regarded as being the address on file in this regard, unless another address has been given in a verifiable manner.

The Client's comments on any sort of statement or notification provided to the Client shall be made within 30 days unless there is a specific announcement from the Bank to the contrary, otherwise the Client is considered to have approved the statements and notifications in question.

11. Corrections

11.1. Client's responsibility to review his/hers accounts

The Client undertakes to closely observe the status of his custody accounts and bank accounts and all transfers executed there. The Client is obliged to notify Íslandsbanki at once if he/she becomes aware that an error has occurred.

11.2. Correction of mistakes

Íslandsbanki is authorized, without consulting the Client, to correct all errors relating to a registered portfolio or the execution or settlement of transactions, including transfers in bank account and/or custody accounts connected to trading. The Bank shall notify the Client of the correction if it is not made within the same 24-hour period during which the error occurs. As appropriate, either party will be obliged to adjust the balance of said party's bank account and/or custody account on the basis of the correction that has been made and to make repayment, and/or to deliver the financial instrument/s in question, within three days of the making of the correction.

12. Costs, fees, service charges and debiting of accounts

12.1. Published tariffs

The Bank reserves the right to take commission and/or fees for services provided in accordance with the Bank's published tariffs at any given time. The Bank shall be authorized to inform the Client about changes in costs and charges on the Bank's website, www.islandsbanki.is. Commission/fees for securities brokerage, service charges, including custody fees, other fees and expenses for the execution of transactions follow the published Tariff of Charges for Investment Services at any given time, unless a specific agreement has been made to the contrary. Íslandsbanki's published tariffs can be found at the website www.islandsbanki.is/investorprotection and www.islandsbanki.is/en/article/price-and-interest. If further services are agreed upon, that are not included in these terms and conditions, they shall be paid for separately, according to the Bank's tariff or a special agreement concerning the service. The Client undertakes to familiarize himself/herself thoroughly with the published Tariff of Charges for Investment Services, at any given time.

12.2. Reimbursement

In addition to commission, fees and charges for services provided, the Client shall reimburse the Bank all other expenses due to trading instructions, in addition to other taxes and official levies that may be imposed on transactions that fall under these terms and conditions. The Client shall be responsible for all tax payments and payment of official levies for his/her trading in financial instruments.

Charges, commission, fees and other costs and expenses shall be paid when requested by the Bank and that day is considered the due date unless there is an agreement to the contrary. Commission, fees, charges, costs and expenses shall be paid by the Client without any conditions, without any set-off and without any counter-claim or deduction of any kind.

12.3. Upon settlement

Upon settlement of the sale of financial instruments, all charges, costs, expenses, commission and fees shall be deducted from the payment unless there is a specific verifiable agreement to the contrary between the Client and the Bank. Accordingly, all charges, costs, expenses, fees and commission shall be added to the payment when a client purchases a financial instrument with the intermediation of the Bank.

12.4. Debiting

The Client authorizes Íslandsbanki to debit/charge his/her bank account for such commission, fees, service charges and other costs for the execution of transactions as are collected at any given time. The Client shall ensure that the account has a sufficient balance at all times. Debiting may occur without prior notification.

12.5. Debiting after due date

If a claim is not settled on the due date, or on the default day as the case may be, the Bank is authorized to debit/charge the Client's bank account and thus settle the claim, whether it is a claim for payment of money or delivery of a financial instrument, regardless of the currency of the claim. The due date is determined by agreement or according to settlement practice.

12.6. Overdue payments costs

Penal interest and/or default penalties are imposed on unsettled transactions, unpaid commission, fees, expenses and charges after the due date, all in accordance with the law, regulations and the Bank's applicable tariff at any given time.

13. Interest

13.1. Interest

Interest on deposits and loans may change in accordance with Íslandsbanki's decisions at any given time, unless there is a specific agreement to the contrary. Interest from financial instruments shall be paid in the currency of the financial instrument in question.

14. Client's duty of caution

14.1. Responsibility and risks

Íslandsbanki hf. is not responsible for any risk related to the Client's trading in financial instruments, the Client alone shall be responsible for his/her decisions. The Client is aware that trading in financial instruments is very risky and that past return on investment is no guarantee of future return on investment.

14.2. Market changes

Investment advice and information on the financial market can change without notice owing to changes in market conditions. The same applies to all information on financial markets published on Íslandsbanki's webs.

14.3. Obligation to familiarize oneself with the relevant market's rules

With respect to trading in financial instruments through Íslandsbanki, by any means, the Client commits to familiarize himself/herself with the rules that generally apply to trading in such financial instruments and the rules of the trading venue where he/she will be trading with Íslandsbanki's intermediation.

14.4. Responsibility for investment decisions

The Client alone is responsible for any investment decision that he/she makes. The Client needs to expect various risk factors that may affect his/her decision, including but not limited to interest rate risk, exchange rate risk, inflation risk, liquidity risk, risk of loss and default risk. The Client should therefore seek advice from experts if he/she has limited knowledge of investments of this kind, such as advice about investment options, risk, tax issues and other matters that may affect his/her investments. Íslandsbanki encourages the Client to seek investment advice regarding ways to limit risk and manage investments in accordance with his/her financial status. Information on the main risk factors accompanying investments in financial instruments can be found at the website www.islandsbanki.is/investorprotection.

14.5. Foreign exchange

The Client is aware that Act No. 87/1992 on Foreign Exchange may limit his/her authorization to trade in financial instruments and he undertakes to acquaint himself/herself with the applicable laws and regulations regarding foreign exchange, at any given time, before trading in financial instruments at Íslandsbanki by any means possible.

15. Changes to these terms and conditions

15.1. Changes

Íslandsbanki reserves the right to cancel these terms and conditions, to add to them or to amend them at any time. An amendment refers to a change in individual provisions, addition, or renewal of the terms so that those terms prevail in place of the older version.

15.2. Notifications of changes and entry into force

Changes will be notified by a general announcement to clients on the Bank's website at www.islandsbanki.is/investorprotection. Furthermore, significant changes for the Client are notified electronically, e.g. by email or by notification in the Online Banking or App.

If Íslandsbanki decides to amend these terms and conditions, the Client shall be bound by the changes and is considered to have approved them unless he/she gives Íslandsbanki notice of termination of trading in financial instruments in a verifiable manner within 14 days of notification of amended terms and conditions. If a termination notice has not been received by Íslandsbanki within this period, the new terms and conditions take effect for all trading in financial instruments that the Client later conducts.

15.3. Standardized terms and conditions

These terms and conditions are standardized and will not be amended for individual clients. No type of endorsement, addition or other change that the Client may make to these terms and conditions will affect Íslandsbanki's or the Client's rights and obligations under these terms and conditions.

16. Termination, default, etc

16.1. Termination

Agreements based on these terms and conditions can be terminated by both parties at any time unless there is a specific agreement to the contrary. The mutual termination period is 14 days from the day that the termination is delivered to the counterparty in a verifiable manner. If the agreement is terminated, all of the Client's debts and charges with respect to Íslandsbanki due to transactions between them on the basis of these terms and conditions become due and payable. Íslandsbanki may terminate the agreement without notice in the case of the Client's restructuring, split-ups, merger, bankruptcy or impending bankruptcy, if the Client is a legal entity, or on account of the passing of a client who is an individual. Terminations of agreements shall be delivered in a verifiable manner. Full settlement shall take place at the end of the termination notice period. The Bank shall deliver or dispose of the Client's financial instruments and assets in accordance with the Client's instructions, which shall be delivered to the Bank in a verifiable manner. If no such instructions are delivered to the Bank, the Bank will maintain the custody of assets and financial instruments in accordance with these terms and conditions, on the terms specified in the Bank's applicable tariff at any given time.

16.2. Default

Íslandsbanki hf. is authorized to terminate the agreement without notice if the Client defaults materially on his obligations under these terms and conditions or under any other terms and conditions in relation to his business with Íslandsbanki. Among other things, it is considered to be a material default (i) if the Client does not rectify a default that is not considered material in the opinion of the Bank within three days, (ii) if the Client is in arrears with any of his obligations to the Bank, whether those are associated with these terms and conditions or any other business, and these are not rectified within three days, or (iii) if the Client does not present collateral/additional collateral within a specified period. In other instances, the Bank shall notify the Client of the default and intended measures in advance. If the Client seeks composition, a payment moratorium or other comparable legal remedy, Íslandsbanki may revoke the Client's authorization to conduct transactions with Íslandsbanki, without notice. The same applies if there is an unsuccessful attachment of his property, an auction of his property is requested, bankruptcy proceedings are demanded for his estate or other comparable circumstances arise that, in the opinion of Íslandsbanki hf., indicate a bad financial status on part of the Client.

16.3. Lien

Íslandsbanki hf. has lien over the financial instruments that are in the Client's custody account for payments it may be entitled to from the Client due to trading in financial instruments and are due. Íslandsbanki is authorized, as the Bank sees fit, to sell on the market individual financial instruments or all financial instruments in the custody account of the Client and to direct the sales proceeds for the payment of any due and unpaid costs, as per above. Moreover, the Bank is authorized to demand the forced sale of financial instruments in the Client's custody account on the basis of Paragraph 1(6) of Article 6 of Act No. 90/1991 on Forced Sale.

17. Liability

17.1. Liability for trading in financial instruments

Íslandsbanki's liability for brokerage and trading in financial instruments is subject to Act No. 115/2021 on Markets in Financial Instruments. Íslandsbanki is thus liable for losses that may be attributed to its employees' willful misconduct in the performance of their duties. Íslandsbanki is, however, not liable for losses that may be attributed to actions or inaction on the part of anyone other than Íslandsbanki's employees or if a loss occurs on account of external events that employees of Íslandsbanki have had no part in, e.g. owing to technical malfunctions or problems with the operations of Reiknistofa bankanna (RB) or other system service providers of the Bank. Íslandsbanki is in no event liable for indirect loss.

17.2. Account operator

Íslandsbanki's liability as an account operator is subject to Act No. 7/2020 on CSD's, Settlements and Electronic Registration of Title to Financial Instruments.

17.3. Limitation

Íslandsbanki shall under no circumstances be considered liable for any inconvenience, expenses, lost investment opportunities or other financial losses, direct or indirect, that stem from shutdown, malfunction, interruption or other disturbance to Íslandsbanki's operations. Regardless of whether the interruption stems from the upgrading or improvement of Íslandsbanki's equipment and/or systems, if possible Íslandsbanki shall notify the Client of such interruptions in advance.

17.4. External events

Íslandsbanki bears no liability for any losses of the Client that may arise from the Client's, or any other party's, lack of knowledge, misunderstanding or the abuse of the terms and conditions of Online Banking or App. Equally, Íslandsbanki will not be liable for any loss that may arise from incorrect entries by the Client or any another party. Íslandsbanki bears no responsibility for any loss that may be attributed to external events, e.g. malfunctions, incorrect external information, etc., moreover if the loss can be attributed to events that stem from natural disasters, wars, strikes or any events that may be regarded as force majeure.

17.5. Agreements with third parties

The Client shall be bound by the terms and conditions that Íslandsbanki agrees with third parties for trading in financial instruments in foreign markets, on behalf of the Client regarding liability, restrictions on liability, trading, foreign legislation, etc. Íslandsbanki does not guarantee proper fulfilment of such agreements on behalf of counterparties, irrespective of whether an agreement has been entered into in the name of Íslandsbanki alone or on behalf of the Client. The Client shall always be permitted to acquaint himself/herself with the content of agreements specifically entered into on his/her behalf.

18. Confidentiality and the handling of personal information

18.1. Confidential information

All transactions that take place on the basis of an agreement based on these terms and conditions are confidential. The Bank has a duty to keep the strictest confidentiality with respect to the Client about everything concerning the Client's trading and private affairs, unless a clear legal obligation arises.

18.2. Handling of personal information

Act on the Protection of Privacy as regards the Processing of Personal Data applies when personal data is processed by Íslandsbanki. Further information about data protection and the processing of personal data is available at: www.islandsbanki.is/dataprotection.

18.3. Publication of specific transactions

The Client agrees that the Bank is authorized to make information regarding specific transactions, or offers to make transactions, involving financial instruments public in accordance with the requirements of Act No. 115/2021 on Markets in Financial Instruments. The Client agrees that the Bank is authorized to convey information regarding the Client and transactions for risk management and supervision on group level.

19. Disputes and the right to appeal

19.1. Disputes and the right to appeal

If a dispute arises between the Client and the Bank regarding the execution of these terms and conditions or regarding individual elements of its implementation, the Client can send the Bank a complaint. Complaints will be handled in accordance with Íslandsbanki's rules for handling complaints. Furthermore, the Client may appeal by referring a dispute to the Complaints Committee for Financial Undertakings. The committee is run under the auspices of the Financial Supervisory Authority and an appeal form can be obtained from the Bank or on the website of the Financial Supervisory Authority, www.en.fme.is. Attention is also drawn to Act No. 98/1999 on Deposit Guarantees and an Investor Compensation Scheme.

20. Other provisions

20.1. Court Venue

Disputes between the Client and Íslandsbanki stemming from these terms and conditions, violation of terms and conditions or contracts based on them shall be heard before the Reykjavík District Court. Cases due to the international transactions of a client with foreign financial instruments shall be referred to the courts agreed upon in the relevant agreements or according to international laws and regulations.

20.2. Governing law

Icelandic law shall apply to these terms and conditions and the transactions and communication between the Client and Íslandsbanki. The foreign transactions of clients in which Íslandsbanki acts as an intermediary may be subject to the legislation of the country in which the transaction took place or where the financial instrument is registered, unless otherwise agreed upon.

Client Classification

Retail Clients:

Retail clients enjoy the highest level of investor protection provided by law. This means e.g. that Íslandsbanki must provide them with clear information about the Bank, its services, the available investment options and the risk involved in such investment and information on the commission that the Bank intends to charge for its service. If a retail client is provided with service in the form of investment advice or portfolio management, the Bank must make an assessment as to whether a particular service and/or financial instrument is suitable in view of the retail client's investment objectives, financial situation, experience and knowledge. Regarding other types of investment services, an assessment shall be made under certain circumstances as to the appropriateness of a particular service or financial instrument for a retail client given the client's knowledge and experience. The category of retail clients includes individuals as well as smaller companies and organisations.

Retail clients may request in writing to be treated as professional clients by the Bank, either generally or regarding a particular transaction or type of transaction. If a retail client requests to be classified as a professional client, Íslandsbanki shall assess the client's expertise, experience and knowledge and whether these give reasonable assurance that the client is capable of making his own investment decisions and understand the risks involved. Additionally, the retail client must meet certain financial conditions. It should be noted that professional clients enjoy a significantly lower level of protection than retail clients. If the Bank accepts client's request to be treated as professional client, the client will no longer enjoy the protection reserved for retail clients as stated in the Act on Markets in Financial Instruments.

Professional Clients:

A professional client is a client possessing the experience, knowledge and expertise to make his own investment decisions and properly assess the associated risks. Íslandsbanki's obligations to professional clients are not as extensive as its obligations to retail clients. If a professional client is provided with service in the form of investment advice or portfolio management, the Bank is obligated to assess whether a particular service or financial instrument is consistent with the professional client's investment objectives. Regarding other types of investment services, the Bank is not required to assess whether a particular service or financial instrument is appropriate given the knowledge and experience of the professional client in question. The Bank is not required to provide as much information to professional clients as to retail clients.

The following are regarded as professional clients:

- 1) Legal persons who are licensed to operate or engage in regulated activities in financial markets, including financial undertakings, insurance companies, collective investment undertakings and pension funds.
- 2) Large corporations meeting certain requirements regarding their balance sheet, net turnover and equity.
- 3) National governments, central banks and international institutions.
- 4) Other institutional investors whose main activity is to invest in financial instruments.
- 5) Parties approved as professional clients on the basis of Article 54 of the Act on Markets in Financial Instruments.

Professional clients may request in writing to be categorised as retail clients. Professional clients may also request to be categorised as eligible counterparties, subject to the fulfilment of certain conditions. It should be noted that according to law, eligible counterparties qualify only for the lowest level of investor protection. Professional clients shall notify the Bank of any changes that might affect their categorisation or if they believe that their categorisation is wrong.

Eligible Counterparties:

Eligible counterparties enjoy the lowest level of investor protection provided by law. They are assumed to have extensive experience, knowledge and expertise in the field of securities transactions. The Bank may e.g. engage in transactions with eligible counterparties without being required to comply with the obligations under Articles 33.-41., 44.-46., 48. and paragraph 1.-2. of Article 49. of Act No. 115/2021 on Markets in Financial Instruments. Eligible counterparties are parties covered by points 1, 2 and 3 of the definition of a professional client. Eligible counterparties shall notify the Bank of any changes that might affect their categorisation or if they believe that their categorisation is wrong. Eligible counterparties may request in writing to be categorised differently and receive the added protection to which clients in the other categories are entitled.

See further information in Act No. 115/2021 on Markets in Financial Instruments and Regulation (EU) 2017/565, regarding organisational requirements and operating conditions for investment firms.

Íslandsbanki hf. rules

on best execution of orders

Introduction

These rules are set in accordance with Paragraph 6 of Article 48 and Paragraph 1 of Article 49 of Act No. 115/2021 on markets for financial instruments.

When executing trading orders the Bank shall, in accordance with Paragraph 1 of Article 48 of Act on markets for financial instruments, take all sufficient steps to obtain the best possible result for its clients, taking into account the relevant factors. Nevertheless, whenever there is a specific instruction from the client, the trading order shall be executed following the specific instruction.

According to Paragraph 1 of Article 49 of Act on market for financial instruments, financial undertakings shall implement arrangements providing for fair and expeditious execution of clients trading orders.

These rules shall not be interpreted as providing for any obligations beyond what is required by the relevant law and regulations, at each point in time. The definitions of the main terms used in these rules can be found in Act on markets for financial instruments.

1. Scope

These rules apply to the trading of retail and professional investors. These rules do not apply to the trading orders of eligible counterparties. These rules apply to trading orders issued by clients themselves, as well as by way of power of attorney on their behalf, irrespective of the classification of clients' representatives.

These rules only apply to trading in financial instruments, cf. item 16 of Paragraph 1 of Article 4 of Act on markets for financial instruments, and applies when Íslandsbanki hf. (hereinafter "the Bank") provides the following services:

- i. Execution of trading orders on behalf of the client.
- ii. Receipt and transmission of trading orders to third parties on the client's behalf.
- iii. Provision of asset management services and the transmission of trading orders regarding financial instruments to third parties.

These rules do not apply when the Bank is not executing or transmitting trading orders on behalf of clients, e.g., when the Bank publishes or gives an offer for the sale or purchase of financial instruments and the client transacts with the Bank based on that offer.

2. Best execution practices

Best execution includes that the Bank shall each time take all sufficient steps to obtain, when executing orders, the best possible results for their clients, relative to other client trading orders or the trading interest of the Bank and other relevant factor, cf. Article 3.1.

The Bank shall, at the request of the client, demonstrate execution of the client's trading order in accordance with these rules. An assessment of whether the Bank has fulfilled its obligations with regard to best execution shall i.e., take into account the circumstances at the time the trading order is received, the type of financial instrument the trading order relates to and what demands can reasonably be made towards the Bank in the execution of the trading order. The assessment shall be comprehensive as to all trading in the relevant financial instrument over a period of time and not focus on individual trades.

3. Execution of orders

3.1. Factors and criteria regarding the execution of trading orders

In the execution of trading orders the Bank shall take all sufficient steps to obtain the best possible result for their clients, taking into account the following factors: price, costs, speed, likelihood of execution, settlement, size, nature and any other relevant consideration.

Where an investment firm executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total payment, representing the price of the financial instrument and the costs relating to execution, including fees.

A comprehensive assessment of the aforementioned factors shall determine which execution venue is chosen for the execution of the trading order. Price and cost are generally among the most important factors that are focused on regarding individual trades. Moreover, other factors may have an impact, e.g., due to the volume or type of financial instrument and the impact of these factors on either the market price of the financial instrument or the execution venue in which the trade can be executed.

The Bank assesses the relative importance of the aforementioned factors based on the following criteria:

- i. Client characteristics, including classification as retail investor or professional investor.
- ii. The nature of client instructions, including limit orders.
- iii. The characteristics of the financial instruments the trading orders pertain to.
- iv. The characteristics of execution venues which the Bank can direct trading orders to.

When executing orders or taking decision to deal outside a trading venue (i.e., "over-the-counter" or "OTC") the investment firm shall check the fairness of the price proposed to the client, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

The Bank can decline to execute an order if there is a possibility of market abuse or insider trading.

3.2. Execution venue

In the execution of trading orders of clients, the Bank can make use of the following types of execution venues: a regulated securities market, a multilateral trading facility (MTF), an organised trading facility (OTF), a systematic internaliser, brokers, the Bank own account, other entities bringing together buyers and sellers of financial instruments and entities outside the European Economic Area performing similar functions to the aforementioned entities.

Article 6 contains a list of the execution venues the Bank mainly depends on in order to fulfil its obligation of taking all sufficient steps to consistently achieve the best possible results in the execution of trading orders. The Bank will in each case endeavour to choose the type of aforementioned execution venue which is most likely to yield the best outcome for its clients, taking into account the factors mentioned in article 3.1.

In cases where there is more than one execution venue competing for the execution of a client's trading order, in order to ensure the best execution, the Bank shall take into account the Bank's fees and costs for executing the orders in each execution venue specified in Article 6 to assess and compare the likely results that it would be possible to achieve for the client. The Bank shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular execution venue which would infringe the requirements in Íslandsbanki hf. Rules on measures against conflicts of interest.

The Bank is obliged to obtain the approval of clients beforehand if a trading order is executed outside a trading venue. By approving these rules, the client confirms that he/she has been informed of the above and that the Bank is authorised to do so in exceptional circumstances and necessary for a transaction to succeed.

3.3. Limit orders

If a client of the Bank issues a limit order regarding the execution of trades, the Bank will follow those instructions to the extent possible and execute orders accordingly. Attention is drawn to the fact that any limit order from a client may hinder the Bank from achieving best execution of trading orders, cf. these rules. These rules however applies to the aspects of trading orders not covered by a client's limit order.

3.4. Receipt and transmission of trading orders

Unless otherwise instructed by the client and if it benefits the client, the Bank is authorised to approach third parties for the execution of trading orders. In such cases care shall be taken to ensure that the transmission of instructions serves the interests of the client and that the factors and criteria provided in Article 3.1 are taken into account.

4. The handling of trading orders

4.1. General Principles on the handling of trading orders

The Bank shall ensure the following in its handling of trading orders:

- a) That trading orders executed on behalf of clients are promptly and accurately recorded and allocated.
- b) That otherwise comparable trading orders are carried out sequentially and promptly unless impracticable
 - I. due to the characteristics of the trading orders,
 - II. due to prevailing market conditions or
 - III. because the client's interests require otherwise.
- c) That a retail client is informed about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

If the Bank is responsible for overseeing or arranging the settlement of trading orders, it shall take all reasonable steps to ensure that any financial instrument or funds of the client received in settlement of that trading order, are promptly and correctly delivered to the account of the appropriate client.

The Bank shall treat information regarding pending trading orders with the utmost caution and take all reasonable steps to prevent the misuse of such information.

4.2. Order of execution

In general, otherwise comparable trading orders are carried out in accordance with the time of their reception by the Bank. The Bank may however deviate from prompt execution when the interests of the client require otherwise, e.g., in the case of large and/or extensive transactions.

The sequential execution of trading orders may be impracticable if trading orders are subject to different conditions e.g., Limit orders. The same goes for large or extensive orders or trading orders reaching the Bank through different mediums, for example, through a branch, broker or via internet.

4.3. Aggregation of trading orders

Under certain market conditions, the Bank may carry out trading orders of one client in aggregate with trading orders of other clients trading orders or in aggregate with the Bank's trading orders for its own account. Trading orders shall only be aggregated if it is considered unlikely that such aggregation will work to the overall disadvantage of the respective clients.

Under special circumstances the aggregation of trading orders may work to the disadvantage of clients, e.g., when the size of trading orders affects the market price of the relevant financial instrument. The Bank shall explain to each client, having their trading orders aggregated, that aggregation may prove to work to the disadvantage of the relevant trading orders.

4.4. Allocation of client's aggregated trading orders

The general principle applied to the allocation of aggregated trading orders is that they are carried out in a manner that ensures that clients receive an allotment proportionate to their orders on the basis of the average price reached at execution. The same shall apply to cases where aggregate trading orders can only be executed in part. The Bank shall take all sufficient steps to obtain the best possible result for their clients, taking into account relevant factors, in accordance with Article 3 in these rules.

4.5. Allocation of the Bank's and client's aggregated trading orders

If the Bank has aggregated trading orders for its own account as well as one or more of the clients trading orders, the orders shall generally be allocated in a manner that does not disadvantage the interests of the relevant client(s).

In cases where the Bank aggregates trading orders to trading orders on its own account and the orders aggregated are only executed in part the client shall have priority in the allocation. If, however, the Bank can reasonably demonstrate that in the absence of such aggregation of trading orders it would not have been able to execute the orders on such favourable terms, or at all, the Bank may allocate the trades in proportion to trading orders of all relevant parties on the basis of the average price reached at execution.

5. Supervision and reviews

These rules shall be reviewed annually, as well as every time a material change occurs impacting the ability of the bank to achieve the best possible results from the execution of trading orders. The Bank monitors the effectiveness of these rules regularly in order to identify any shortcomings and make improvements when appropriate.

The Bank assesses regularly whether there has been a material change in execution venues, envisaged by these rules for the execution of trading orders, and whether if this change result in the most favourable outcome for the client. The Bank moreover regularly assesses its choice of third parties for the execution or transmission of trading orders.

Any change to this policy will result in its updated version being published on the site: www.islandsbanki.is/investorprotection and shall be valid from the date on which it is published.

6. Registry of execution venues and third parties

Overview of the execution venues and third parties which the Bank particularly relies on for the execution of trading orders:

Execution venue	Type	Shares	Bonds/Treasury bills
Nasdaq Iceland	RSM	x	x
Nasdaq Stockholm	RSM	x	
Nasdaq Copenhagen	RSM	x	
First North Iceland	MTF	x	
Linear Investments Limited, London	B	x	
Deutsche Bank, London	MTF		x
UBS, London	MTF		x
Commerzbank, London	MTF		x
Goldman Sachs	MTF		x
BAML	MTF		x
Danske Bank, Kaupmannahöfn	B/MTF	x (B)	x (MTF)
Jyske Bank	B	x	x

RSM = Regulated Securities Market

MTF = Multilateral Trading Facility

B = Broker/Brokerage

O = Other entities that bring together buyers and sellers of financial instruments.

The Bank is authorised, in exceptional cases, when it is for the benefit of the client and leads to the best possible result, to use another execution venue than one of those specified in the above list.

The Bank will make public on an annual basis on his webpage, www.islandsbanki.is, a summary of the top five execution venues in terms of trading volumes where he executed client orders in the preceding year and information on the quality of execution obtained.

Financial Instruments and Associated Risks

Overview

This document provides an overview of the principal types of financial instruments and the risks associated with investments in such instruments. The overview is not exhaustive and factors that are not listed here may impact the value of the relevant financial instrument.

Financial instruments involve various risks and therefore it is essential to study the nature of the instrument and the risks it entails before deciding on making an investment. It is important that the investor does not trade in financial instruments unless he/she is fully aware of the risks involved in such transactions and that he/she takes into account his/her financial strength and experience in trading in such investments.

The following shall be kept in mind when assessing whether a financial instrument is suitable for an investor:

- a) The investor must possess sufficient knowledge and experience to evaluate the financial instrument in question.
- b) The investor must be aware of the risks associated with investing in the financial instrument in question and the impact that the investment may have on the investor's assets and financial capacity.
- c) The investor must acquaint him-/herself with and understand the terms which apply to the financial instrument in question and the markets where the instrument is traded.
- d) The investor must be able to assess (either on its own or with the assistance of an advisor) the impact of external factors such as economic fluctuations, changes in interest rates and other similar factors which may impact an investment in the financial instrument in question.

General risk factors

Financial instruments involve various risks, but several risk factors apply to any type of financial instrument and are discussed below:

- a) **Market risk:** The risk that changes in market prices have adverse effect on financial instruments.
- b) **Interest rate risk:** The risk that changes in interest rates have adverse effect on the value of a financial instrument.
- c) **Currency risk:** Exchange rates fluctuate and financial instruments that are registered in foreign currency can entail currency risk. Changes in currency rates can cause profit or loss although the currency value in which the underlying instrument is registered does not change.
- d) **Liquidity risk:** The risk that an investor cannot easily sell or buy a specific financial instrument at a certain point in time, or is only able to do so on terms that are considerably poorer than the norm in an active market at any time. This can be caused by various factors, such as inactive market with a particular instrument, contract size and other factors that may affect the supply and demand and market participants' behaviour.
- e) **Economic risk:** Economic fluctuations often affect the prices of financial instruments. The fluctuations are variable, they can vary in time and magnitude and can affect different industries in various ways. When deciding on an investment an investor must be aware of the general impact of economic fluctuations, including between countries and different economies, on the value of financial instruments.
- f) **Country risk:** The risk includes, among other things, political risk, currency risk, economic risk and risk relating to capital transfers. This refers to the economic factors that could have a significant impact on the business environment in the country in which the financial instrument is registered.
- g) **Legal risk:** The risk that the government makes changes to existing laws or regulations that can have adverse effect on financial instruments, for example changes in tax laws or laws regarding capital transfers across borders.
- h) **Inflation risk:** When investors assess the yield of a specific financial instrument, it is necessary to do so with regard to inflation and inflation outlook to estimate the expected real return on investment and current asset value.
- i) **Counterparty risk:** The risk that a counterparty will not meet his contractual obligations in full.
- j) **Settlement risk:** The risk related to a counterparty not meeting the contractual obligations on the settlement date. Settlement loss may occur due to default or due to the different timings of the settlement between relevant parties.
- k) **Sustainability risk:** Sustainability risk, means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Risks associated with individual financial instruments

1. Shares

Shares are issued to a shareholder as evidence of the holder's ownership interest in the limited company in question. Shares may be issued as written instruments or electronically in a central securities depository. A shareholder enjoys the rights provided by law and the company's Articles of Association.

Investing in shares may involve the following risks:

- a) **Company risk:** By purchasing shares, the investor contributes funds to the company concerned and in turn becomes an owner of the company along with other shareholders. Therefore, the shareholder, as owner, is involved in the development of the company and the changes which occur to its assets and liabilities. It can be difficult to estimate the return that the shareholder may expect to receive on the investment. In the event of bankruptcy, the shareholder may lose the funds that it originally contributed since priority is not given to shareholders' claims during bankruptcy proceedings.
- b) **Price risk:** The price of shares may fall and/or rise without it being possible to predict the timing or duration of such fluctuations. Price risk must be distinguished from company risk; however, jointly or separately, these factors influence the price of shares with resultant risks for investors.
- c) **Dividend risk:** The amount of dividends, if any, which investors receive from their shareholdings, is determined by the profits of the company in question and its dividend policy. Dividend payments may cease should the company suffer losses.

2. Bonds

Bonds are written declarations in which the issuer unilaterally and unconditionally accepts its obligation to pay a certain amount of money at a given time in accordance with the stated terms. Bonds are generally issued by companies and government bodies. The bond terms, such as interest and maturity, are always determined in advance. Interest can either be fixed or variable. Bonds can also be index-linked, in which case the principal of the debt will be adjusted in accordance with a specific price index, e.g. the consumer price index. The principal of the debt is either paid in one sum on the final maturity date or on predetermined due dates. The purchaser of a bond (the creditor) has a claim against the issuer (the debtor) for the payment of money in accordance with the terms of the bond.

Investing in bonds may involve the following risks:

- a) **Issuer risk:** A bond issuer may become unable to pay its obligations. Such insolvency may be temporary or permanent. Economic and political developments in the sector and the countries in which the issuer operates may impact its payment capacity. In the same manner, the issuer's credit rating may change as a result of positive and/or negative developments in the issuer's operations and influence the market price. Normally there is a connection between the interest on the issuer's bonds and its credit rating, the lower the credit rating the higher the interest rate.
- b) **Interest rate risk:** The market risk factor which has the greatest impact on bond prices are changes in interest rates in the relevant market. An increase in general interest rates leads to a reduction in the market value of the bonds and vice versa. This risk becomes greater as the maturity of the bond in question is longer.
- c) **Call risk:** Bonds may be callable by the issuer prior to maturity. Such redemption may affect the expected yield of the bond in question, for instance if market interest rates are lowered.
- d) **Risk associated with different types of bonds:** Risks other than those listed above may be involved in investments in different types of bonds. Investors are therefore advised to familiarise themselves with the terms of each individual bond issue as they are presented in the prospectus for the bond class and not to make a decision to invest until an assessment of all the risk factors associated with the bonds in question has been carried out.

3. Funds

The sole purpose of UCITS and alternative investment funds is to accept funds from investors for collective investments in financial instruments and other assets on the basis of diversification, in accordance with the fund's existing investment strategy. The difference between these funds lies principally in their investment authorizations. UCITS and alternative investment funds for retail clients are always subject to redemption and unit holders can therefore request to redeem their holdings whenever it suits them. Management companies can also set up other alternative investment funds, which they are unauthorized to market towards retail clients. There are no legal restrictions on investments in funds of this kind and investments in them are therefore considerably riskier than in other funds. Such alternative investment funds are not subject to redemption and generally have a predetermined life span. There are many funds with different investment strategies and the legal rules that govern their activities can also vary.

Investing in funds can entail the following risks and investors are advised to familiarise themselves with the investment strategy of the relevant fund before making an investment decision:

- a) **Sale and redemption:** There is no certainty of there being an active secondary market for UCITS or shares in the relevant fund and it might therefore be difficult for investors to sell their shares. Moreover, in some funds there are restrictions on and/or fees connected to the redemption of shares. UCITS and alternative investment funds are, however, always subject to redemption. However, situations can arise in markets in which trading in the underlying assets of funds is restricted, due to temporary uncertainty regarding the issuers of financial instruments owned by the fund. In such cases, it is permissible to temporarily suspend redemptions in the fund if it is considered necessary to protect the overall interests of the unit holders in the fund.
- b) **Legal risk:** The operations of specific funds may fall under Icelandic or foreign laws, which may mean that certain forms of investor protection or operational restrictions which may apply in one jurisdiction do not apply in other jurisdictions.
- c) **Leveraging:** Some funds are authorised to finance certain parts of their activities with loans and to invest in derivatives agreements. This kind of leveraging can increase the risk of the fund's operations and entail costs that can result in a decline in the value of the investor's shares in the fund.
- d) **Right to participate:** Investors in the fund generally have little or no right to participate in and/or have any influence on the activities of the relative fund.
- e) **Investment strategy:** The investment strategies of funds can vary a great deal. Some funds make specialised investments and, for example, only invest in certain kinds of financial instruments and/or in certain market areas. The risk that the fund bears is therefore primarily connected to the relative financial instruments and/or market areas. Funds may also invest in areas where there is a lot of competition and where there are therefore fewer investment opportunities. Risk policies and diversification differs between funds, but generally speaking the risk is higher in funds that have less risk diversification.
- f) **Evaluation:** If a fund invests in assets which are not liquid it may be difficult to estimate the value of its units/shares.
- g) **Underlying assets:** There can be a variety of underlying assets in a fund, such as shares, bonds, investments in other funds and derivatives. Funds may be subject to market risk and risk inherent in their investment strategies, such as investments outside the regulated markets, short selling financial instruments and leveraged purchases and/or sales which can result in losses for the relevant fund. In evaluating the risk inherent in investing in certain funds one should bear in mind the risk factors that can have an impact on the value of the underlying assets in the fund.
- h) **Management:** The activities and performance of individual funds depends on the competence of its management and staff. The fund manager generally makes investment decisions in accordance with the fund's investment strategy. Bad decisions by the management can result in losses for the fund and investors. If an agreement between a fund manager and key staff members is terminated, there is no guarantee that competent staff can be recruited without the fund suffering losses.

4. Derivatives

A derivative is an agreement in which the settlement clauses are based on the variation of a particular factor during a particular period, such as interest rates, exchange rates, securities prices, securities indices or commodity prices. Derivative agreements give investors rights, which may be optional, to buy or sell certain underlying assets or request a cash settlement. The value of these agreements is based on the development of these underlying factors from the contract date to the settlement date.

Investments in derivatives are often leveraged so that a slight change in the value of the underlying assets can have a proportionately high impact on the value of the derivative agreement with accompanying positive or negative consequences for the relevant investor. Derivative agreements are temporary and can therefore be worthless when they expire, if prices do not develop as the investor had anticipated.

Investments in derivatives should only take place when investors are prepared to withstand considerable losses. Investments in derivatives agreements are subject to certain terms, such as collateral requirements and margin calls, which investors are advised to acquaint themselves with before making an investment.

Examples of varying derivatives contracts are:

4.1 Forward contracts

Forward contracts stipulate the obligations of the contracting parties to buy or sell certain assets at a certain price and a predetermined time. Contracts of this kind can also be settled in cash. Forward contracts are very risky investments, particularly in view of the fact that investors often only have to contribute a part of the amount that is invested and therefore take a loan for the difference. This leverage means that a slight change in the prices of the underlying assets can have a proportionately high impact on the value of the agreement and consequently increase or decrease the market value of the agreement.

4.2 Options

An option is a contract which gives one contracting party, the buyer, the right but not the obligation to buy or sell specified assets at a predetermined price at a specified time or within specified time limits. As a payment for that right, the other contracting party, the seller, receives a certain fee which is determined by the market value of the option at the beginning

of the contract. There are many different types of option agreements and each has its own characteristics. What matters the most, though, is whether the investor is the buyer or seller of such an agreement.

Purchase of options:

The purchase of an option agreement entails less risk than the sale of one because, if the price development of the underlying assets is unfavourable for investors, they can decide not to exercise their option. The maximum loss of the investor is therefore the option fee that was paid at the beginning of the agreement.

Sale of options:

The sale of an option agreement entails considerably more risk than the purchase of one. By selling an option agreement, the investor assumes the obligation to buy or sell the underlying asset if the buyer of the option exercises his/her right. The investor who sells the option agreement may need to put up collateral at the beginning of the agreement and additional collateral if the value of the agreement develops unfavourably for the seller and, at the moment of settlement, the seller may suffer a loss which far exceeds the option fee which the seller was paid at the beginning of the option agreement. In the case of a put option in which the investor owns the assets, which he/she has undertaken to sell, the risk is less. If the investor does not own the assets he/she has undertaken to sell the risk can be unlimited.

4.3 Financial contracts for differences

In some forward agreements and option agreements, the settlements are only permitted to be made in cash. Investments in agreements of this kind entail the same risk as investments in regular forward agreements and/or option agreements, see chapter 4.1 and 4.2.

4.4 Swap agreements

A swap agreement is an agreement between parties to swap different payment flows over a certain period. There are different types of swap agreements, but the most common types are interest rate agreements and currency swap agreements. The main risk factors in interest rate and currency swaps are interest rate risk and currency risk.

Interest rate swap agreements:

This is an agreement in which the parties swap interest payments on specified principals for a certain period in the same currency. In most cases one of the parties pays fixed interest on the specific principal and in exchange receives variable interest.

Currency swap agreements:

This is an agreement in which parties swap interest payments on a principal in two different currencies and the swapping of principals occurs at the beginning and end of the agreement period. Thus currency swaps can be used to convert loans or assets from one currency to loans or assets in another currency.

4.5 Derivatives outside the regulated market

Trading in derivatives frequently occurs outside the regulated market and financial undertakings are obliged to inform investors when this occurs. Investing in derivatives outside the regulated market may entail the risk of investors not being able to settle open derivatives agreements because there is no market for the relevant financial instrument, in addition to which the value of these agreements may be unclear.

5. Unlisted securities

Unlisted securities are, for example, bonds and shares that are not listed on regulated markets. Investments in unlisted securities bear higher risk than in listed securities.

Investing in unlisted securities may involve the following risks:

- a) **Liquidity risk:** Unlisted shares are not listed on regulated markets and can therefore often be illiquid and their price formation may be imperfect and lack transparency.
- b) **Shortage of information:** There are fewer information disclosure requirements placed on unlisted companies than there are on listed ones, in addition to which there is generally less news and analytical data on unlisted companies than on listed ones. The operations of these companies are therefore less transparent and risk increases since less information regarding their operations is publicised.
- c) **Small cap risk:** The operations of unlisted public limited companies are often considerably smaller than those of listed public limited companies. Operations are therefore considerably more vulnerable to changes in general economic developments and/or political circumstances which entail economic consequences.

Warning

All trading in financial instruments entails risk. Investors should evaluate their intended investments in light of their knowledge and experience, financial positions and investment objectives. It is risky to trade in financial instruments without having a full understanding of the nature and scope of the risk the trading entails.

Sustainability in Investments

With Act [No. 25/2023](#) on disclosure in financial services and a classification system for sustainable investments, [the SFDR \(Sustainable Finance Disclosure Regulation\) 2019/2088](#) and [Taxonomy 2020/852](#) came into force in Iceland, simultaneously introducing amendments to the legislation governing the financial market. The purpose of the SFDR is to increase transparency in the financial market for sustainable investments and affects financial market participants. When providing investment advice or asset management services, financial market participants are required to gather information about clients' sustainability preferences. If the supply of investment options does not meet the sustainability requirements of customers, they can still choose to trade in financial investments. The legislation defines various types of sustainability-related investments and factors that have a negative impact on sustainability.

Environmentally sustainable investments (Taxonomy)

"Environmentally sustainable investment" refers to investments in activities that are environmentally sustainable according to Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment.

One of the objectives of the regulation is to define the activities that meet the criteria to be considered environmentally sustainable for the purpose of establishing the degree to which an investment is environmentally sustainable.

An activity is considered environmentally sustainable under the regulation if it (a) significantly contributes to one or more of the environmental objectives set out in Article 9 of the regulation, (b) does not significantly harm the environmental objectives, (c) complies with minimum safeguards as recommended in Article 18 of the regulation, and (d) meets technical screening criteria.

Sustainable investment (SFDR - Article 9)

"Sustainable investment" refers to financial products that fall under Article 9 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector. For a financial product to fall under Article 9, it must have sustainable investment as its objective. In essence, the term "sustainable investment" is defined in the regulation as an investment in activities that contribute to environmental or social objectives, provided that such investments do not significantly harm any of those objectives, and that the investee companies follow good governance practices.

Investments that promote environmental or social factors (SFDR - Article 8)

"Investments that promote environmental or social factors" refers to financial products that fall under Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector. Article 8 covers financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies invested in follow good governance practices. Financial products under Article 8 thus contribute to sustainability, although it is not their primary goal. For example, a product might exclude fossil fuels due to carbon emissions, but all underlying investments of the product are not directly geared towards sustainability, as is the case with financial products falling under Article 9.

Principal adverse impacts

Principal adverse impacts are those impacts of investment decisions and advice that result in negative effects on sustainability factors.

Sustainability factors refer to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

Mixed emphasis on sustainability factors in investments

This refers to emphasizing various sustainable characteristics in investments, rather than just one of the characteristics listed above. It involves considering the investment options available in the market and, for instance, focusing on financial instruments that take into account the principal adverse impacts and promote environmental or social factors.

Financial Instruments and Associated Risks

Overview

This document provides an overview of the principal types of financial instruments and the risks associated with investments in such instruments. The overview is not exhaustive and factors that are not listed here may impact the value of the relevant financial instrument.

Financial instruments involve various risks and therefore it is essential to study the nature of the instrument and the risks it entails before deciding on making an investment. It is important that the investor does not trade in financial instruments unless he/she is fully aware of the risks involved in such transactions and that he/she takes into account his/her financial strength and experience in trading in such investments.

The following shall be kept in mind when assessing whether a financial instrument is suitable for an investor:

- a) The investor must possess sufficient knowledge and experience to evaluate the financial instrument in question.
- b) The investor must be aware of the risks associated with investing in the financial instrument in question and the impact that the investment may have on the investor's assets and financial capacity.
- c) The investor must acquaint him-/herself with and understand the terms which apply to the financial instrument in question and the markets where the instrument is traded.
- d) The investor must be able to assess (either on its own or with the assistance of an advisor) the impact of external factors such as economic fluctuations, changes in interest rates and other similar factors which may impact an investment in the financial instrument in question.

General risk factors

Financial instruments involve various risks, but several risk factors apply to any type of financial instrument and are discussed below:

- a) **Market risk:** The risk that changes in market prices have adverse effect on financial instruments.
- b) **Interest rate risk:** The risk that changes in interest rates have adverse effect on the value of a financial instrument.
- c) **Currency risk:** Exchange rates fluctuate and financial instruments that are registered in foreign currency can entail currency risk. Changes in currency rates can cause profit or loss although the currency value in which the underlying instrument is registered does not change.
- d) **Liquidity risk:** The risk that an investor cannot easily sell or buy a specific financial instrument at a certain point in time, or is only able to do so on terms that are considerably poorer than the norm in an active market at any time. This can be caused by various factors, such as inactive market with a particular instrument, contract size and other factors that may affect the supply and demand and market participants' behaviour.
- e) **Economic risk:** Economic fluctuations often affect the prices of financial instruments. The fluctuations are variable, they can vary in time and magnitude and can affect different industries in various ways. When deciding on an investment an investor must be aware of the general impact of economic fluctuations, including between countries and different economies, on the value of financial instruments.
- f) **Country risk:** The risk includes, among other things, political risk, currency risk, economic risk and risk relating to capital transfers. This refers to the economic factors that could have a significant impact on the business environment in the country in which the financial instrument is registered.
- g) **Legal risk:** The risk that the government makes changes to existing laws or regulations that can have adverse effect on financial instruments, for example changes in tax laws or laws regarding capital transfers across borders.
- h) **Inflation risk:** When investors assess the yield of a specific financial instrument, it is necessary to do so with regard to inflation and inflation outlook to estimate the expected real return on investment and current asset value.
- i) **Counterparty risk:** The risk that a counterparty will not meet his contractual obligations in full.
- j) **Settlement risk:** The risk related to a counterparty not meeting the contractual obligations on the settlement date. Settlement loss may occur due to default or due to the different timings of the settlement between relevant parties.

Risks associated with individual financial instruments

1. Shares

Shares are issued to a shareholder as evidence of the holder's ownership interest in the limited company in question. Shares may be issued as written instruments or electronically in a central securities depository. A shareholder enjoys the rights provided by law and the company's Articles of Association.

Investing in shares may involve the following risks:

- a) **Company risk:** By purchasing shares, the investor contributes funds to the company concerned and in turn becomes an owner of the company along with other shareholders. Therefore, the shareholder, as owner, is involved in the development of the company and the changes which occur to its assets and liabilities. It can be difficult to estimate the return that the shareholder may expect to receive on the investment. In the event of bankruptcy, the shareholder may lose the funds that it originally contributed since priority is not given to shareholders' claims during bankruptcy proceedings.
- b) **Price risk:** The price of shares may fall and/or rise without it being possible to predict the timing or duration of such fluctuations. Price risk must be distinguished from company risk; however, jointly or separately, these factors influence the price of shares with resultant risks for investors.
- c) **Dividend risk:** The amount of dividends, if any, which investors receive from their shareholdings, is determined by the profits of the company in question and its dividend policy. Dividend payments may cease should the company suffer losses.

2. Bonds

Bonds are written declarations in which the issuer unilaterally and unconditionally accepts its obligation to pay a certain amount of money at a given time in accordance with the stated terms. Bonds are generally issued by companies and government bodies. The bond terms, such as interest and maturity, are always determined in advance. Interest can either be fixed or variable. Bonds can also be index-linked, in which case the principal of the debt will be adjusted in accordance with a specific price index, e.g. the consumer price index. The principal of the debt is either paid in one sum on the final maturity date or on predetermined due dates. The purchaser of a bond (the creditor) has a claim against the issuer (the debtor) for the payment of money in accordance with the terms of the bond.

Investing in bonds may involve the following risks:

- a) **Issuer risk:** A bond issuer may become unable to pay its obligations. Such insolvency may be temporary or permanent. Economic and political developments in the sector and the countries in which the issuer operates may impact its payment capacity. In the same manner, the issuer's credit rating may change as a result of positive and/or negative developments in the issuer's operations and influence the market price. Normally there is a connection between the interest on the issuer's bonds and its credit rating, the lower the credit rating the higher the interest rate.
- b) **Interest rate risk:** The market risk factor which has the greatest impact on bond prices are changes in interest rates in the relevant market. An increase in general interest rates leads to a reduction in the market value of the bonds and vice versa. This risk becomes greater as the maturity of the bond in question is longer.
- c) **Call risk:** Bonds may be callable by the issuer prior to maturity. Such redemption may affect the expected yield of the bond in question, for instance if market interest rates are lowered.
- d) **Risk associated with different types of bonds:** Risks other than those listed above may be involved in investments in different types of bonds. Investors are therefore advised to familiarise themselves with the terms of each individual bond issue as they are presented in the prospectus for the bond class and not to make a decision to invest until an assessment of all the risk factors associated with the bonds in question has been carried out.

3. Funds

The sole purpose of UCITS and investment funds is to accept funds from investors for collective investments in financial instruments and other assets on the basis of diversification, in accordance with the fund's existing investment strategy. The difference between these funds lies principally in their investment authorizations. UCITS and investment funds are always subject to redemption and unit holders can therefore request to redeem their holdings whenever it suits them. Management companies can also set up a professional investment fund, which does not accept funds from the public. There are no legal restrictions on investments in funds of this kind and investments in them are therefore considerably riskier than in other funds. Professional investment funds are not subject to redemption and generally have a predetermined life span. There are many funds with different investment strategies and the legal rules that govern their activities can also vary.

Investing in funds can entail the following risks and investors are advised to familiarise themselves with the investment strategy of the relevant fund before making an investment decision:

- a) **Sale and redemption:** There is no certainty of there being an active secondary market for UCITS or shares in the relevant fund and it might therefore be difficult for investors to sell their shares. Moreover, in some funds there are restrictions on and/or fees connected to the redemption of shares. UCITS and investment funds are, however, always subject to redemption. However, situations can arise in the securities market in which trading in the underlying assets of funds is restricted, due to temporary uncertainty regarding the issuers of financial instruments owned by the fund. In such cases, it is permissible to temporarily suspend redemptions in the fund if it is considered necessary to protect the overall interests of the unit holders in the fund.

- b) **Legal risk:** The operations of specific funds may fall under Icelandic or foreign laws, which may mean that certain forms of investor protection or operational restrictions which may apply in one jurisdiction do not apply in other jurisdictions.
- c) **Leveraging:** Some funds are authorised to finance certain parts of their activities with loans and to invest in derivatives agreements. This kind of leveraging can increase the risk of the fund's operations and entail costs that can result in a decline in the value of the investor's shares in the fund.
- d) **Right to participate:** Investors in the fund generally have little or no right to participate in and/or have any influence on the activities of the relative fund.
- e) **Investment strategy:** The investment strategies of funds can vary a great deal. Some funds make specialised investments and, for example, only invest in certain kinds of financial instruments and/or in certain market areas. The risk that the fund bears is therefore primarily connected to the relative financial instruments and/or market areas. Funds may also invest in areas where there is a lot of competition and where there are therefore fewer investment opportunities. Risk policies and diversification differs between funds, but generally speaking the risk is higher in funds that have less risk diversification.
- f) **Evaluation:** If a fund invests in assets which are not liquid it may be difficult to estimate the value of its units/shares.
- g) **Underlying assets:** There can be a variety of underlying assets in a fund, such as shares, bonds, investments in other funds and derivatives. Funds may be subject to market risk and risk inherent in their investment strategies, such as investments outside the regulated securities markets, short selling financial instruments and leveraged purchases and/or sales which can result in losses for the relevant fund. In evaluating the risk inherent in investing in certain funds one should bear in mind the risk factors that can have an impact on the value of the underlying assets in the fund.
- h) **Management:** The activities and performance of individual funds depends on the competence of its management and staff. The fund manager generally makes investment decisions in accordance with the fund's investment strategy. Bad decisions by the management can result in losses for the fund and investors. If an agreement between a fund manager and key staff members is terminated, there is no guarantee that competent staff can be recruited without the fund suffering losses.

4. Derivatives

A derivative is an agreement in which the settlement clauses are based on the variation of a particular factor during a particular period, such as interest rates, exchange rates, securities prices, securities indices or commodity prices. Derivative agreements give investors rights, which may be optional, to buy or sell certain underlying assets or request a cash settlement. The value of these agreements is based on the development of these underlying factors from the contract date to the settlement date.

Investments in derivatives are often leveraged so that a slight change in the value of the underlying assets can have a proportionately high impact on the value of the derivative agreement with accompanying positive or negative consequences for the relevant investor. Derivative agreements are temporary and can therefore be worthless when they expire, if prices do not develop as the investor had anticipated.

Investments in derivatives should only take place when investors are prepared to withstand considerable losses. Investments in derivatives agreements are subject to certain terms, such as collateral requirements and margin calls, which investors are advised to acquaint themselves with before making an investment.

Examples of varying derivatives contracts are:

4.1 Forward contracts

Forward contracts stipulate the obligations of the contracting parties to buy or sell certain assets at a certain price and a predetermined time. Contracts of this kind can also be settled in cash. Forward contracts are very risky investments, particularly in view of the fact that investors often only have to contribute a part of the amount that is invested and therefore take a loan for the difference. This leverage means that a slight change in the prices of the underlying assets can have a proportionately high impact on the value of the agreement and consequently increase or decrease the market value of the agreement.

4.2 Options

An option is a contract which gives one contracting party, the buyer, the right but not the obligation to buy or sell specified assets at a predetermined price at a specified time or within specified time limits. As a payment for that right, the other contracting party, the seller, receives a certain fee which is determined by the market value of the option at the beginning of the contract. There are many different types of option agreements and each has its own characteristics. What matters the most, though, is whether the investor is the buyer or seller of such an agreement.

Purchase of options:

The purchase of an option agreement entails less risk than the sale of one because, if the price development of the underlying assets is unfavourable for investors, they can decide not to exercise their option. The maximum loss of the investor is therefore the option fee that was paid at the beginning of the agreement.

Sale of options:

The sale of an option agreement entails considerably more risk than the purchase of one. By selling an option agreement, the investor assumes the obligation to buy or sell the underlying asset if the buyer of the option exercises his/her right. The investor who sells the option agreement may need to put up collateral at the beginning of the agreement and additional collateral if the value of the agreement develops unfavourably for the seller and, at the moment of settlement, the seller may suffer a loss which far exceeds the option fee which the seller was paid at the beginning of the option agreement. In the case of a put option in which the investor owns the assets, which he/she has undertaken to sell, the risk is less. If the investor does not own the assets he/she has undertaken to sell the risk can be unlimited.

4.3 Financial contracts for differences

In some forward agreements and option agreements, the settlements are only permitted to be made in cash. Investments in agreements of this kind entail the same risk as investments in regular forward agreements and/or option agreements, see chapter 4.1 and 4.2.

4.4 Swap agreements

A swap agreement is an agreement between parties to swap different payment flows over a certain period. There are different types of swap agreements, but the most common types are interest rate agreements and currency swap agreements. The main risk factors in interest rate and currency swaps are interest rate risk and currency risk.

Interest rate swap agreements:

This is an agreement in which the parties swap interest payments on specified principals for a certain period in the same currency. In most cases one of the parties pays fixed interest on the specific principal and in exchange receives variable interest.

Currency swap agreements:

This is an agreement in which parties swap interest payments on a principal in two different currencies and the swapping of principals occurs at the beginning and end of the agreement period. Thus currency swaps can be used to convert loans or assets from one currency to loans or assets in another currency.

4.5 Derivatives outside the regulated securities market

Trading in derivatives frequently occurs outside the regulated securities market and financial undertakings are obliged to inform investors when this occurs. Investing in derivatives outside the regulated securities market may entail the risk of investors not being able to settle open derivatives agreements because there is no market for the relevant financial instrument, in addition to which the value of these agreements may be unclear.

5. Unlisted securities

Unlisted securities are, for example, bonds and shares that are not listed on regulated securities markets, such as Nasdaq Iceland. Investments in unlisted securities bear higher risk than in listed securities.

Investing in unlisted securities may involve the following risks:

- a) **Liquidity risk:** Unlisted shares are not listed on regulated securities markets and can therefore often be illiquid and their price formation may be imperfect and lack transparency.
- b) **Shortage of information:** There are fewer information disclosure requirements placed on unlisted companies than there are on listed ones, in addition to which there is generally less news and analytical data on unlisted companies than on listed ones. The operations of these companies are therefore less transparent and risk increases since less information regarding their operations is publicised.
- c) **Small cap risk:** The operations of unlisted public limited companies are often considerably smaller than those of listed public limited companies. Operations are therefore considerably more vulnerable to changes in general economic developments and/or political circumstances which entail economic consequences.

Warning

All trading in financial instruments entails risk. Investors should evaluate their intended investments in light of their knowledge and experience, financial positions and investment objectives. It is risky to trade in financial instruments without having a full understanding of the nature and scope of the risk the trading entails.

Excerpt from the Conflict of Interest Policy of Íslandsbanki

Íslandsbanki hf. (“the Bank”), as a financial undertaking that provides comprehensive financial services, inevitably faces a risk of conflict of interest in its operations. Therefore, it is imperative that all of the Bank’s employees are aware of the risk of conflicts of interest in their work and take appropriate measures to prevent, or manage, conflicts of interest in the Bank’s operations.

On January 12 2023, the Board of Directors of the Bank approved a Conflict of Interest Policy applying to the Board of Directors of the Bank, the Bank’s employees and external parties that have, by way of an outsourcing agreement, committed to complying to the Policy. The Policy also applies to the boards of directors and employees of the Bank’s subsidiaries where specified.

All employees shall know and act in accordance with the Policy and shall identify any circumstances which cause or may cause conflicts of interest in the Bank’s operations. Employees are also responsible for identifying and preventing conflicts of interest that may be related to themselves.

The Policy’s Objective and Purpose

The objective of the Policy is, i.a. that the Board of Directors and employees of the Bank are familiar with and comply with the relevant laws, regulations and recommendations regarding the prevention of conflicts of interest applying to the Bank’s operations.

The purpose of the Policy is to ensure that the Bank’s framework in relation to the matter is in accordance with the applicable laws, rules and recommendations at each point in time, responsibilities and division of tasks within the Bank in relation to it are clear and the framework is subject to adequate supervision.

Analysis and assessment of Conflict of Interest

In the assessment of whether conflicts of interest towards the Bank’s customers exist, consideration shall be given to whether circumstances are such, that the Bank, its employees or a related party:

- are likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;

- has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client;
- receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

The Policy provides examples of situations where conflicts of interest could arise in the Bank’s operations.

Measures to Prevent Conflicts of Interest

When an analysis and assessment of a conflict of interest reveals that there is a risk of a conflict of interest, appropriate measures, both organizational and administrative. Among the measures taken by the Bank to prevent conflicts of interest are:

- The Bank has in place a **segregation of duties** to prevent and control the flow of information between employees and thereby prevents confidential and insider information from being passed between the Banks departments
- The Bank’s **rules and procedures** aim to prevent or limit conflicts of interest
- Frequent and regular **training for employees**
- **The Bank's Remuneration Policy**
- **Other additional measures for which more detail is provided in the Policy**

Supervision and Further Information

The Compliance Officer monitors whether procedures regarding conflict of interest are in force and appropriate to ensure compliance with this Policy and overall compliance with the Policy.

Requests for further information about the Bank’s Conflicts of Interest Policy should be directed to hagsmunaarekstrar@islandsbanki.is

Disclaimer: This is a translation of the authoritative Icelandic text. In the event of any discrepancies between the translation and the original Icelandic text, the original text shall prevail.

Tariff of Charges for Investment Services

Iceland Funds - Funds



Íslandsbanki

Valid from April 5th, 2023

Type of Fund	Fund Name	Purchase Fee	Mgmt Fee
Domestic Bond Funds	IS Interest Account Fund ¹	0.00%	0.35%
	IS Liquidity Fund	0.00%	0.40%
	IS Government Fund	0.50%	0.70%
	IS Government Bond Fund	1.00%	0.90%
	IS Long-Term Government Bond Fund	1.00%	0.90%
	IS Non-Index Fund ¹	0.90%	0.90%
	IS Bond Fund ¹	0.80%	1.00%
	IS CB Fund ¹	1.00%	0.90%
	IS CBI Fund ¹	1.00%	0.90%
	IS Green Bonds ¹	1.00%	1.00%
IS-Fixed Income Strategy ¹	1.00%	1.00%*	
Domestic Equity Funds	IS OMX Iceland Index Fund	1.00%	0.40%
	IS Equity Fund ¹	2.00%	1.70%
	IS EQUUS Equity Fund ¹	2.00%	1.85%
Global Equity Fund	IS Global Portfolio Fund of Funds	2.00%	1.50%
Mixed Funds	IS Asset Allocation Fund - Government	1.00%	0.50%
	IS Asset Allocation Fund	1.50%	0.50%
	IS Private Fund A ¹	1.00%	0.65%
	IS Private Fund B, C, D, E, Global ¹	1.00%	1.25%

¹ This fund is an alternative investment fund for retail clients.

Other Funds

	Purchase Fee	Mgmt. Fee
Vanguard	0.75 - 2.0%	Acc. to prospectus for each fund
Other Funds	0.50 - 3.0%	Acc. to prospectus for each fund

Commission

Bonds and Bills

Treasury Bonds, Treasury Bills and Housing Bonds:

- Maturity; one year or less	0.30%
- Maturity; more than one year	0.40%
Other Domestic Bonds	0.75%
Global Bonds	2.00%

Min. commission ISK 3.500.

Equities

Domestic listed Equities (min. commission ISK 3,500)	1.00%
Global Equities (min. commission USD 100) ²	1.00%

² Min. purchase in ISK is 300,000. When buying UK shares, a stamp duty of 0.5% is added. French shares on the Financial Transaction Tax (FTT) list are subject to 0.2% tax to all buy and transfer trades.

Discount

	Discount
Purchase Fee in Iceland Funds (Online Banking and App)	25%
Regular Subscription in Iceland Funds	50%
Trading Commission in Domestic Equities (Online Banking and App) ³	25%

³ Min. commission (Online Banking and App) ISK 2.000.

Framtíðarauður - Private Pension Plan

Management Fee for Investment Options (p.a.)	0.50%
Management Fee for Lífeyrisreikningur (bank savings account)	0.00%
Holdings transferred between Investment Options (up to two transfers yearly)	0.00%
Holdings transferred between Investment Options (after two transfers within a year)	0.50%
Holdings transferred to other Depositories (min. fee ISK 5,000)	1.00%
Holdings transferred from Lífeyrisreikningur to other Depositories	ISK 5,000



Tariff of Charges for Investment Services

Private Banking

Discretionary Asset Management, fee p.a. (minimal fee p.a. ISK 75,000) ⁴	0.50%
Investment Advisory Service, fee p.a. (minimal fee p.a. ISK 75,000) ⁴	0.65%
Discount on Trading Commission in Bonds	50%
Discount on Trading Commission in Equities	50%
Discount on Purchase Fee in Funds and Transaction Fee	50%
Custody Fee, Discount on Icelandic Securities (no discount from minimal fee)	25%

⁴ The fee is based on the average portfolio holding each month and collected two times a year.

Institutional Services

Discretionary Asset Management, fee p.a. (minimal fee p.a. ISK 75,000) ⁵	0.50%
Discount on Trading Commission in Bonds	50%
Discount on Trading Commission in Equities	50%
Discount on Purchase Fee in Funds Transaction Fee	50%
Custody Fee, Discount on Icelandic Securities (no discount from minimal fee)	25%

⁵ The fee is based on the average portfolio holding each month and collected two times a year.

Custody Fee ⁶

	Pr. year
Icelandic Securities and Funds	0.045%
US, UK and Canadian Securities	0.03%
Norwegian Securities	0.08%
Nordic Securities, excl. Norwegian	0.04%
European Securities	0.06%
Other Markets	0.02-0.40%
Collateral Custody Fee	0.045%

⁶ Min. custody fee is ISK 3,200. Custody fees do not apply to holdings in Iceland Funds. The custody fee on a general custody account is based on the average portfolio holding each month and collected yearly. The custody fee on Private Banking and Institutional Services is based on the average portfolio holding each month and collected two times a year.

Other

Transaction Fee for Trading Icelandic Securities	ISK	1,000
Transaction Fee for Trading Equities (Online Banking and App)	ISK	300
Transaction Fee for Trading Funds (Online Banking and App)	ISK	0
Transaction Fee for Delivery and Transfer of Securities	ISK	1,000
Transfer to another Account Operator, additional	ISK	1,000
Transaction Fee for Corporate Actions	ISK	500
Transaction Fee for Trading		
USD 7, EUR 6, GBP 6, DKK 47, NOK 68, SEK 67, AUD 10, CAD 10, CHF 7, JPY 770		
Conversion of the listing of share capital	ISK	4,500
Conversion of the listing of share capital in Arion banki hf. - Custodian cost	SEK	2,500
Conversion of the listing of share capital in Marel hf. - Custodian cost	ISK	8,500
Division of Death Estate, per Transaction, each Heir	ISK	1,000
Extra Statement in Mail	ISK	1,000
Declaration of ownership	ISK	1,200
Contract Work, per hour	ISK	25,000

Items marked with an asterisk * have changed from previous version.

For further information contact our financial advisors at Íslandsbanki, tel. +354 440 4000, investing@islandsbanki.is, www.islandsbanki.is