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GENERAL TERMS AND CONDITIONS FOR CLIENTS  
November 2007

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## CONTENTS AND PURPOSE

These Terms and Conditions cover the general terms that apply to business transactions between Saga Capital Investment Bank hf., Reg. No. 660906-1260, Hafnarstraeti 53, Akureyri, and customers engaged in trading with the Bank's Market Trading division and other divisions, as applicable. Any references herein to "the Bank" or "Saga Capital" are references to Saga Capital Investment Bank hf.

Saga Capital is licensed as an investment bank (credit undertaking) by the Financial Supervisory Authority, and the Bank's business activities are subject to regulation by the Financial Supervisory Authority under Act No. 87/1998 on the official supervision of financial operations.

The Terms and Conditions apply to all market trading with Saga Capital and are intended to set out the legal relationship which exists between the Bank and its clients in market trading, and to contribute to a clear understanding on the part of the Client of the nature of the contracts covered by the Terms and Conditions, the rights and obligations they confer, as well as the risk they involve, and which services do not fall within the Terms and Conditions. Saga Capital has established a *Policy of best execution in carrying out trading instructions* pursuant to Article 18 of the Act on Securities Transactions and *Rules of procedure on conflicts of interest* pursuant to Article 8 of the Act on Securities Transactions. The Client's attention is also drawn to the fact that the Bank has established Rules of procedure in proprietary trading pursuant to the provisions of the Act on securities transactions and guidelines issued by the Financial Supervisory Authority. These rules can be accessed on the website [www.sagacapital.is](http://www.sagacapital.is).

The Client is advised that Saga Capital does not specialise in business with private investors, nor does the Bank offer personal advice to investors, and therefore it may be necessary for investors to obtain advice from external experts relating to trading conducted on the basis of these Terms and Conditions. The Client is furthermore encouraged to consult applicable legislation and rules as current at any time, such as Act No. 108/2007 on securities transactions, Act No. 30/2003 on undertakings for collective investment in transferable securities (UCITS) and investment funds, and Act No. 161/2002 on financial undertakings.

If the Client is a legal person, the Client's board of directors shall sign the Terms and Conditions on behalf of the Client and issue to the Client's employees, at the discretion of the board, specific powers of attorney to engage in business with the Bank pursuant to the Terms and Conditions. An Annex to these Terms and Conditions describes the contents of such powers of attorney and provides a sample of such a document.

Saga Capital requires Clients to sign the Terms and Conditions prior to engaging in its first or any subsequent business with the Bank.

### 1. SCOPE OF APPLICATION

These Terms and Conditions apply to any and all market trading conducted between Saga Capital and the Client, such as buying or selling securities, derivatives transactions, money market trading, foreign exchange trading and other related services. These Terms and Conditions furthermore apply to all contracts that the Client may conclude with the Bank. In the event of any discrepancies between these Terms and Conditions and individual

contracts, the contracts shall prevail. The Terms and Conditions apply whether the trading takes place on the Internet or by other means.

## 2. DEFINITIONS

The following definitions apply in these Terms and Conditions, as well as any other contracts concluded and falling within the scope of these Terms and Conditions:

**Banking day:** A business day when banks are generally open for business in Iceland and the financial centers of the financial instruments specified in a contract.

**Banking day rule:** One of the following rules, to be specified in a contract. The rule describes how contractual due dates are shifted if they do not fall on a banking day for the currency in question. The banking day rules are as follows:

- A. **The following banking day:** The contractual due date is shifted to the next banking day following the day specified when that day is not a banking day.
- B. **The following banking day with exception:** The contractual due date is shifted to the next banking day following the day specified when that day is not a banking day, unless the shift has the result that the due date falls in the following month. In such circumstances the due date is shifted to the banking day immediately preceding the date specified in a contract.
- C. **The preceding banking day:** The contractual due date is shifted to the banking day immediately preceding the day specified when that day is not a banking day.

**Contract date:** The date when the Bank confirms the transaction and terms requested by the Client.

**Interest period:** The number of days or months on which the calculation of interest is based at any time. Interest is calculated as of the first day of each interest period until the last day of the period. The first interest period of a contract begins on the first interest date of the contract and ends on the first due date of interest. Each subsequent interest period begins on the due date of the interest of the preceding period and ends on the next due date of interest. The final interest period ends on the closing date of the contract.

**Due date of interest and payment of interest:** The due date of interest is the last day of each interest period and at the end of the contract period. Banking day rules apply to due dates of interest.

**First interest date:** The first day of the first interest period.

**Day rules for the calculation of interest (proportional number of days):** A contract shall specify the method of calculating interest. More than one method may be used in the same contract. The principal methods are the following:

- A. **A/365:** Number of actual calendar days to 365. The interest rate is multiplied by the number of calendar days in each interest period and the resulting number of days is divided by 365.
- B. **A/360:** Number of actual calendar days to 360. The interest rate is multiplied by the number of calendar days in each interest period and the resulting number of days is divided by 360.
- C. **30/360:** 30 days to 360. The interest rate is multiplied by the number of days in each interest period assuming that each month has 30 days and the resulting number of days is divided by 360.
- D. **30E/360:** Euro-bond rule. The calculation assumes that the year is 12 months and that each month has 30 days, with the exception that if the last day of an interest period falls on the last day of February that month is not counted as 30 days, but as the actual number of days in the month. The number of days is divided by 360.

**REIBOR interest** (Reykjavík Inter Bank Offered Rate): The average interest on interbank loans in Icelandic krónur on the Reykjavík Interbank Market as posted by the Central Bank of Iceland daily at 11:30, local time, in Reykjavík.

**LIBOR interest** (London Inter Bank Offered Rate): Interest on the London Interbank Market as posted at 11 a.m., local time, in London on the Reuter BBA screen.

**EURIBOR interest** (European Interbank Offered Rate): Interest on the interbank market in the Member States of the European Monetary Union as posted at 11 a.m., local time, in Brussels.

### 3. START OF TRADING

Saga Capital will apply for a State Registration Number from Statistics Iceland if the Client is a foreign legal person, with the cost borne by the Client.

If required, the Client shall submit written confirmation from an attorney at law to the effect that the attorney at law has been granted power of attorney to take delivery of service of process and any notices relating to trading between parties on behalf of the Client.

In compliance with the provisions of Act No. 64/2006 on money laundering and terrorist financing the Client shall fill in a form and submit documents to such effect. Furthermore, the Bank reserves the right to require further documentation concerning the Client and any funds to be placed in the Bank's custody or involved in trading with the Bank; signature of these Terms and Conditions constitutes confirmation by the Client that that he/she is the beneficial owner any funds delivered to the Bank. If the Client, at the outset of trading or subsequently, wishes to submit funds owned by other persons, or if any changes occur in previously supplied information, the Client shall notify the Bank in writing and the Bank may then request all the relevant and necessary documentation.

In the event that a Client wishes to trade in financial instruments which are not non-complex financial instruments in the understanding of the Act on securities transactions, or if the Client requests investment advice in connection with financial instruments and Saga Capital agrees to intermediate in such trading and/or provide such services, the Client is required to undergo a separate assessment by Saga Capital in accordance with the rules of Saga Capital and the provisions of Articles 15 and 16 of the Act on securities transactions. The Client is also required to provide the Bank with certain information in this context. If the Client meets the requirements of Saga Capital, he/she shall sign a separate declaration relating to the acquisition of complex financial instruments and the declaration will then form a part of these Terms and Conditions.

Saga Capital is authorised to entrust a third party, on behalf of Saga Capital, with the custody of securities and other assets of the Client, settlement of trades between the contracting parties and similar tasks falling within the scope of these Terms and Conditions.

Saga Capital, and the custody and settlement agents of the Bank, are authorised to open an SD account in the name of the Client at the Icelandic Securities Depository (ISD) or other securities centre in Iceland or overseas, and open a bank account in Iceland in the name of the Client, for the purposes of settlement of trades and similar tasks falling within the scope of these Terms and Conditions. The authorisation extends to the execution of registrations of title, deliveries and transfers to and from SD accounts and bank accounts. Furthermore, Saga Capital is authorised to preserve the Client's securities on a nominee account (nominee registration).

#### **4. EXECUTION OF CONTRACTS AND COMMUNICATIONS BETWEEN THE PARTIES**

The Client does not have any unilateral claim against Saga Capital as regards the conclusion of individual contracts on the basis of these Terms and Conditions, notwithstanding their signature by Saga Capital. The approval of the employees of the Bank is required for the conclusion of all contracts, and the Bank may unilaterally approve or reject a Client's request for a trade.

Furthermore, the Bank is authorised to require any documents, information or collateral which the Bank considers a necessary prerequisite for the conclusion of contracts. The Bank is also authorised to assess whether any submitted documents and/or information are adequate.

Contracts may be established, and the Client is permitted to give instructions to Saga Capital, in writing, by telephone, telefax and/or electronic mail, and such contracts and instructions are binding regardless of form. Communications shall be in Icelandic except as otherwise agreed by Saga Capital and the Client.

The Client is permitted to provide Saga Capital with any instructions concerning trading which fall within the scope of these Terms and Conditions, cf. Article 1. However, the Client does not possess a unilateral claim for individual contracts to be concluded on the basis of the Terms and Conditions.

The Client shall send to the Bank a request for a transaction by telefax, electronic mail or telephone. All contracts shall be confirmed by electronic confirmation on the part of the Bank to an e-mail address specified by the Client on the signature of these Terms and Conditions. However, trading in derivatives which are not listed on a regulated securities market shall always be confirmed in writing by both parties. If the Client does not immediately protest a confirmation, he/she is regarded as having confirmed that the trade is as contracted. If the Client protests, the telefax, e-mail message, request over the Internet or telephone recording shall constitute proof of the terms of the trade.

Written contracts on trading in derivatives which are not listed in a regulated market shall be signed by the Bank and sent to the Client by e-mail. The Client undertakes to execute such contracts and send to the Bank by electronic mail or telefax within two days from the time that the contracts were established. The originals of signed contracts in paper form shall be sent to the Bank no later than 30 days from the time that a contract was established or before the due date if it falls within that time limit.

A Client may grant power of attorney to a third party to enter into contracts on his or her behalf, provided that the power of attorney is in writing and adequate in the judgment of the Bank. The power of attorney shall include a sample signature of the agent and remain valid until the Bank receives a written notice of amendment of the power of attorney or its withdrawal, or the power of attorney lapses in accordance with its substance. The power of attorney shall contain the information specified in the annex to these Terms and Conditions and shall be confirmed by the Client, or, in the case of a legal person, the Client's board of directors.

Settlement of trades in listed securities shall take place three banking days after the conclusion of the trade (T+3), with the exception of trades in bonds listed in the OMX Nordic Exchange in Iceland, where the settlement of trades will take place on the following banking day after the conclusion of the trade (T+1). In other respects, the settlement of trades shall be effected in compliance with the rules applicable in the securities market in question where the securities in question were procured or where they are listed, in the case of trading outside regulated securities markets.

## **5. TAPED TELEPHONE CALLS**

In the interests of the security of the Client and the Bank, and as a means of correcting any potential misunderstanding, telephone conversations of the Client with the Bank may be taped without specific notification each time. Recordings are made in compliance with the provisions of Article 48 of the Telecommunications Act No. 81/2003. By his or her signature of these Terms and Conditions, the Client agrees that such taped conversations may be submitted in the course of legal proceedings before a court of law and/or used as evidence in other circumstances in the event of a dispute regarding the substance of communications between the contracting parties, for example as regards the conditions and/or execution of a trade, e.g. to the extent that the Bank is required to obtain information at any time for the purpose of assessing the knowledge of the Client, his/her experience, financial strength, objectives of the proposed investment or qualifications in the understanding of the Act on securities transactions. In other respects, the Bank shall treat taped telephone conversations in the same way as other information which is subject to bank secrecy pursuant to Articles 58 – 60 of the Act on Financial Undertakings No.

161/2002. The Bank is not liable if telephone conversations have not been taped, as it is not certain that all telephone conversations will be taped.

## **6. COLLATERAL**

### **6.1. COLLATERAL FOR TRADES AND ADDITIONAL COLLATERAL**

According to the Bank's internal rules of procedure, the Bank may require collateral to secure specific trades. If no requirement has been made for collateral for individual contracts, the Bank reserves the right to make such a requirement at a later date. At the outset of a business transaction requiring collateral the Client shall supply collateral regarded by the Bank as adequate each time. The Client also undertakes to sign a separate collateral agreement, bond or other comparable instruments if requested. The Client undertakes to sign all documents relating to collateral. Clients are not permitted to assign, mortgage or dispose by other means of collateral pledged to the Bank without the prior consent of the Bank.

In the event that the Client pledges an asset on a custody account as collateral, the account shall be held in the Bank or in another bank designated by Saga Capital. Collateral pledged by the Client in the form of electronic securities shall be mortgaged in an SD account linked to the Client's custody account in the Bank. If the Client submits securities in paper form as collateral the securities shall remain in the custody of the Bank. If such securities are subsequently dematerialised, the Client's signature on these Terms and Conditions shall constitute authorisation to the Bank to open an SD account in the Client's name and transfer the securities to that account.

The Bank will assess the collateral value of any assets pledged as security. The assessment of the Bank shall apply except as otherwise negotiated in a collateral agreement. The collateral value will be based, among other things, on the market value of the assets, which will be re-assessed regularly. Since the market value can fall without notice, the revaluation may result in a call for additional collateral.

If a collateral agreement provides that the value of security must remain above a specified minimum, whether the criterion is the value of the security (e.g. collateral) or the value of the contracts secured (e.g. derivatives), and if the value of the security falls below the specified minimum, the Client shall provide additional security so that the contracted minimum is achieved once more.

### **6.2. TIME LIMITS**

If Saga Capital makes a requirement for collateral or additional collateral, the Client must provide satisfactory collateral within two (2) banking days from the time that the requirement is made. The Bank may set shorter time limits, require security on the same day, or shorten a time limit previously granted, and the Client shall consent to such requirement.

### **6.3. NOTICES AND MEANS OF COMMUNICATION**

The Bank may request collateral/additional collateral by telephone, electronic mail or telefax. Notices shall be regarded as correctly delivered if delivered to the e-mail address or telefax number provided by the Client at the time of signature of these Terms and Conditions, unless it is obvious to the sender that the notice has not been received. The

Client is held responsible if his or her server/telefax machine does not deliver his or her e-mail/telefax, e.g. as a result of a malfunction in the computer system/telefax machine. A notice given over the telephone is regarded as being immediately communicated to the Client.

The Client shall notify the Bank promptly of any change in his/her address, telephone number, e-mail address or other comparable information.

#### **7. RIGHTS OF RETENTION, SETTING OFF AND CHARGES**

If a claim relating to a trade falling within the scope of these Terms and Conditions is not settled on the due date or, as applicable, on the date of calling, Saga Capital reserves the right to retain any securities and cash on the Client's custody account at the Bank at any time to cover any payments to which the Bank may be entitled from the Client. The Bank is authorised to charge bank accounts and sell any securities to which it has rights of retention for such debts as well as any interest and cost.

Saga Capital reserves the right to charge commissions and fees for services rendered pursuant to the Bank's tariff as current at any time. Saga Capital's tariff can be accessed on the website [www.sagacapital.is](http://www.sagacapital.is). Fees and commissions shall be paid on demand, and the day of demand shall constitute the due date except as otherwise negotiated. By his/her signature of these Terms and Conditions the Client consents to such fees and furthermore grants his/her consent for his/her account to be charged for such fees as well as any taxes and public levies that may be imposed on any trading falling within the scope of these Terms and Conditions.

#### **8. SETTING OFF (NETTING) OF CONTRACTS AND ASSIGNMENT**

Setting off (netting) in foreign exchange and securities trading, including derivatives contracts and deposits and money market loans, is subject to the following provisions:

- A. If contracts falling within the scope of these Terms and Conditions entail mutual obligations to be discharged by means of the same payment on the same day, e.g. the same currency or same type of security, the Bank may require setting off, so that only the balance, if any, is paid.
- B. If contracts falling within the scope of these Terms and Conditions entail mutual obligations to be discharged on the same day but not by the same payment, the Bank may nevertheless require setting off, so that only the balance is paid, if any. If the payments are not in the same currency, the Bank may convert the payment into Icelandic krónur or another agreed currency prior to netting.
- C. If any obligations of the Client pursuant to a contract falling within the scope of these Terms and Conditions are called pursuant to Article 9 (***Default and authorisation of the Bank to call the obligations of the Client***), the Bank may set off claims pursuant to all contracts falling within these Terms and Conditions so that the profit and loss of each party is settled simultaneously and the balance, if any, paid out.

Settlement pursuant to this Article, i.e. valuation of financial instruments and conversions, is subject to Article 9 (***Default and authorisation of the Bank to call the obligations of the Client***).

Claims pursuant to subsections (A) and (B) of this Article 8 shall be submitted with at least three (3) banking days' notice, but concurrently with a notice of default pursuant to subsection (c) above.

By his/her signature of these Terms and Conditions, the Client agrees that a written contract has been established with the Bank in accordance with Chapter V of Act No. 108/2007 on securities transactions to the effect that the commitments of the Client and the Bank pursuant to derivative contracts shall be balanced against each other, by netting, on any renewal, default, suspension of payments, composition with creditors or bankruptcy, and that the contract shall remain in full effect notwithstanding the provisions of Articles 91 and 100 of Act No. 21/1991 on bankruptcy, etc. Furthermore, collateral rights established as security for trading in derivatives cannot be rescinded, notwithstanding the provisions of Article 137 of Act No. 21/1991 on bankruptcy etc., cf. Article 41 of the Act on securities transactions.

If the Client falls within the scope of Act No. 46/2005 on financial collateral arrangements, the Bank shall be permitted to net and enforce contracts against the Client in accordance with the provisions of that Act.

The Client cannot assign his/her rights or obligations pursuant to these Terms and Conditions, or any contracts concluded the basis of these Terms and Conditions, except with the written consent of Saga Capital.

## **9. DEFAULT AND AUTHORISATION OF THE BANK TO CALL THE OBLIGATIONS OF THE CLIENT**

### **9.1. NON-SUBSTANTIAL DEFAULT**

In the event of non-substantial default by the Client in respect of any obligation hereunder or under any contract containing a reference to these Terms and Conditions, the Client shall have two (2) days to remedy the situation leading to the default.

### **9.2. SUBSTANTIAL DEFAULT**

The Bank may, without obligation to do so, call or close any contract and/or contracts without notice in the event of any substantial default by the Client in respect of any obligation. Calling means that the closing date of a contract is advanced to the date of calling. Closure by means of a counter contract which eliminates market risk shall take place at normal value based on market price, market interest and the credit terms of the Client as current. Calculation of any profit/loss shall take account of market conditions on the date of calling.

The events below shall be regarded as substantial events of default in this context:

- A.** The Client has not remedied an event of default within two (2) banking days, as provided in Section 9.1 (*Non-substantial default*) above.
- B.** The Client is default to the Bank in areas other than those falling within the scope of these Terms and Conditions and has not remedied the default within two (2) banking days from the time that the default began, or is repeatedly in default of obligations to the Bank.
- C.** The Client does not supply collateral/additional collateral within the time limit set in Section 6.2 (*Time limits*), or the Client's loss on the Contract exceeds 80% of the market value of the collateral.

- D. Signed and witnessed written contracts have not been received by the Bank by electronic mail or telefax within two (2) banking days from the date of a contract.
- E. The originals of written contracts have not been received by the Bank in paper form within 30 days from the date of a contract or before the due date if it falls within that time limit.
- F. (i) The estate of the Client is subjected to attachment, (ii) the Client petitions for a moratorium on debts, (iii) seeks composition, (iv) enters into negotiations with creditors on partial relief from debts, (v) a petition is submitted for bankruptcy proceedings (or statutory law permits or requires the submission of such a petition), (vi) a petition is submitted for the enforced auction of the Client's property, or (vii) the financial situation of the Client gives rise to a significant probability that he/she will not be able to meet his/her obligations under these Terms and Conditions or contracts negotiated hereunder.
- G. The Client is a legal person and neglects to notify the Bank of a decision on a merger, division of the Company into two or more independent companies or an amendment of the objects of the Company, or neglects the obligation to notify pursuant to Article 13 hereof (*Obligation of the Client to inform and notify*).
- H. **The Client provides false or inadequate information at the outset of business or does not report changes in previously disclosed information or information that could affect the contracts between the parties.**

### 9.3. NOTICES

Saga Capital will notify the Client of any calling of his/her obligation or closing of any contract(s) as a result of substantial default. Such notification shall be sent in accordance with Section 6.3 (*Notices and means of communications*).

### 9.4. METHODS OF SETTLEMENT, VALUATION AND CONVERSION

In the event of netting, closing or calling contracts, the Bank will calculate the Client's profit/loss on the contract or contracts in question, as well as the market value of collateral, as provided in the following paragraph. The Bank will submit its calculations to the Client no later than fifteen (15) days following the calling or closure of the contract/contracts if the Client so requests.

The assessment of the market value of financial instruments listed in a securities exchange will be based on their closing price in the securities exchange in question on the day before the assessment, except as otherwise provided in the contract. If the price formation on that day was unnatural, in the opinion of the Bank, the assessment may be based on the closing price of more business days, taking into account the trading volume of the instruments on separate days. The Bank will carry out a valuation of unlisted securities, taking into account the price paid for them by leading financial undertakings conducting transactions with the Bank involving the securities in question.

Saga Capital may, without obligation, convert claims in foreign currencies into Icelandic krónur on the date of calling, or, as applicable, on the due date of the claim or later. Such conversion shall be based on the posted buying price of the Central Bank of Iceland at 11:00 a.m. on the day of settlement, except as otherwise provided in the contract.

### 9.5. CALCULATION OF PENALTY INTEREST

The Client shall pay penalty interest on the Bank's claims as of the due date or, as appropriate, the calling date if a claim is called in before the agreed due date.

#### **A. CLAIMS IN FOREIGN CURRENCIES**

Claims in foreign currencies which are not converted into ISK shall carry penalty interest at seven point five percent (7.5%) above the interest rate agreed upon for the trade in question. If a transaction contract includes provisions for penalty interest, however, those provisions shall apply.

If a claim does not bear a contractual interest rate, e.g. in the case of a cash transaction involving securities, penalty interest shall apply as follows:

- I. Claims in EUR shall carry one-month EURIBOR interest, as determined at any time, with a default margin of seven point five percent (7.5%) on the due or called amount from the due date to the date of payment. EURIBOR (European Inter Bank Offer Rate) interest refers to interest on the interbank market in the Member States of the European Monetary Union as posted at 11 a.m., local time, in Brussels on the Reuter EURIBOR01 screen.
- II. Claims in other foreign currencies shall carry one-month LIBOR interest, as determined at any time for the currency in question, with a default margin of seven point five percent (7.5%) of the due or called amount from the due date to the date of payment. LIBOR (London Inter Bank Offered Rate) interest refers to interest on the London Interbank Market as posted at 11 a.m., local time, in London on the Reuter BBA screen. In the event that the currency in question is not regularly posted on the BBA interest rate table, the interest shall be based on other interest rates on the interbank market or currency exchange market indicated by the Bank at any time.

#### **B. CLAIMS IN ICELANDIC KRÓNUR**

Claims in ISK, or claims converted into ISK according to this Article, shall carry default interest pursuant to the decision of the Central Bank of Iceland at any time concerning base default interest and default margin, cf. Article 6, paragraph 1, of the Interest Act No. 38/2001, on the due or called in amount as of the due date to the date of payment.

Unpaid penalty interest shall be added to the debt principal at intervals of twelve (12) months, in the first instance twelve (12) months after the first day of default, whether the debt is in ISK or a foreign currency.

#### **9.6. COST**

In the event of default on the part of the Client, the Client undertakes to pay to Saga Capital all costs incurred by the Bank as a result of the default, of bringing legal action and other litigation costs, legal fees or other costs to be paid by the Bank, as well as other legal cost resulting from collection pursuant to these Terms and Conditions, together with charges assessed in accordance with the Bank's tariff.

#### **9.7. ENFORCEMENT AUTHORISATION**

In the event of the Client's obligations being called or a contract/contracts closed, in full or in part, the Bank may, without further notice, seek enforcement of its claims in any collateral provided by the Client, at the Bank's discretion, and any assets to which the Bank has rights of retention on the Client's custody accounts at the Bank as well as accounts held with the custody and settlement agents of the Bank. The Bank may decide,

at its sole discretion, whether to seek enforcement of all the collateral placed, or retained assets, or any part of the collateral, and, if the latter, in what order.

The Bank may seek enforcement either by having the pledged or retained assets sold by enforced auction for the satisfaction of the debt without prior adjudication, settlement or enforcement proceedings pursuant to Article 6 of the Enforced Auctions Act No. 90/1991, to the extent needed for the Bank to receive full payment, or sell the pledged or retained assets on the market, or take possession of assets of its own choice to the extent necessary for the full satisfaction of the Bank's claims.

#### **10. TERMS RELATING TO TRADING IN UNLISTED DERIVATIVES**

The Client is not permitted to settle trades in unlisted derivatives prior to their due date except as specifically negotiated. The delivery of securities will take place against payment (Delivery vs. payment).

If the provisions of law, government regulations, rules, administrative instructions or resolutions of the board of directors of the Client restrict the Client's authority to trade in derivatives, e.g. because the Client is a pension fund or UCITS, the board of directors of the Client confirms that contracts on trading in unlisted derivatives are permitted, except as otherwise formally specified on the signature of these Terms and Conditions, or subsequently, when such restrictions take effect.

If the underlying securities in trading involving an unlisted derivative are equity shares or bonds, as applicable, the following rules shall apply except as otherwise agreed:

- A. Issue of bonus shares:** If the issuer of underlying equity shares resolves to issue bonus shares during the contract term, i.e. from the contract date to the closing date of the contract, the number of shares provided for in the contract shall be increased in line with the pro rata increase in shares that occurs as a result of the issue of bonus shares.
- B. Increase in share capital:** If the issuer of underlying equity shares resolves to increase the share capital and sell the new shares to shareholders, the contracting party having a claim against a counterparty for the delivery of shares on the closing date of the contract (the buyer of the shares) shall be entitled to subscribe to the new shares. If that party is the Client he/she shall himself/herself take the initiative in requesting such subscription for his/her part with sufficient notice.
- C. Reduction of share capital:** If the issuer of underlying equity shares resolves to reduce the share capital, with the reduction being used for disbursement to shareholders, such payments shall accrue to the contracting party having a claim against the counterparty for delivery of shares on the closing date of the contract (the buyer of the shares). The payment shall be restated with basic LIBOR, EURIBOR or REIBOR interest depending on the currency in which the shares in question are issued, from the date of payment of the shares to the closing date. The restated amount of the reduced equity shall be deducted from the obligation of the buyer of the shares. If this party is the Client, the proceeds from the reduction in equity shall be preserved by the Bank and netted against the Client's obligations to the Bank on the closing date. The right of the Client to the proceeds from the reduced equity shall lapse in the event of any default of the contract on the Client's part.

- D. Dividends/interest/instalment:** If the issuer of underlying equity shares/bonds decides to disburse dividends/interest/instalments during the term of the contract, i.e. from the contract date to the closing date of the contract, the dividends/interest payments/instalments shall accrue to the contracting party having a claim against the counterparty for the delivery of shares/bonds on the closing date of the contract (the buyer of the shares). Dividends/interest payments/instalments shall be restated with basic LIBOR, EURIBOR or REIBOR interest depending on the currency in which the shares/bonds in question are issued, from the date of payment of the dividends/interest/instalments to the closing date. The restated amount shall be deducted from the obligation of the buyer of the shares. If this party is the Client, the proceeds from the dividend/interest/instalment shall be preserved by the Bank and netted against the Client's obligations to the Bank on the closing date. The right of the Client to the dividends/interest/instalments shall lapse in the event of any default of the contract on the Client's part.
- E. Exercise of voting rights:** The contracting party having a claim against a counterparty for the delivery of shares on the closing date of a contract (the buyer of the shares) shall not exercise voting rights attached to the shares falling within the scope of the contract in question, except as specifically agreed. If the Client has negotiated the surrender of voting rights on the contract date or during the contract term, the Client himself/herself shall take the initiative in asking for the exercise of the voting rights each time with adequate notice. The voting rights shall lapse in the event of any default on the contract.

Interest shall always be calculated on the basis of A/360, except in the case of debts in GBP, where A/365 shall be used. Interest, other than penalty interest in ISK, shall be determined two days before the start of the interest period.

If the initial obligation of the Client is in a foreign currency, the initial principal of the Client's obligation shall be converted into ISK, except as otherwise agreed. Settlements of claims in foreign currencies shall be converted into ISK on the closing date, except as otherwise agreed. Conversions pursuant to this paragraph shall be based on the buy or sell rate, as appropriate, posted by the Central Bank of Iceland at 11:00 a.m. on the settlement date, except as otherwise contracted.

## **11. LIABILITY FOR CONTRACTS, DECLARATION OF INDEMNITY**

The signature by the Client of these Terms and Conditions constitutes a declaration to the effect that the Client is aware of the fact that the transactions he may engage in on the basis of these Terms and Conditions may involve particular risk. Furthermore, trading in unlisted securities is considerably more risky than trading in listed securities, in part owing to the fact that no reliable information is available on their issuers and their liquidity, and price formation is normally less than that of listed securities; as a result, it may take a longer time to realize the value of unlisted securities and there is greater uncertainty concerning their valuation. Trading in derivatives can also involve high risk. The value of the Client's investment is dependent, for example, on any fluctuations in price that may occur in Icelandic and international financial markets. The Client shall avoid trading in financial instruments if he/she is not conscious of the risk attached to the instrument and shall notify Saga Capital on his/her own initiative if there is any doubt as regards his/her knowledge in this regard.

The Bank does not give investment advice on individual trades in the understanding of subsection 4 of paragraph 1 of Article 2 of the Act on securities transactions No. 108/2007 unless the Client himself/herself specifically requests such advice on his/her own initiative and the Bank formally consents to the giving of such advice. The Client should therefore seek investment advice from an external expert if he/she feels this is needed. If the Client requests the opinion of an employee of the Bank regarding a particular trade, it is underscored that any opinion that any employee of the Bank may offer in response to such a request is based solely on the views of the employee in question at the time, which may change without notice, and shall not be regarded as assistance in the selection of investment options available at any time. Further information on the risk attached to trading in different financial instruments is provided by Saga Capital's Market division, and such information may also be accessed on the website [www.sagacapital.is](http://www.sagacapital.is). The Client may also request delivery of such information.

Saga Capital is liable neither for securities returning the yield anticipated by the Bank or the Client, nor for currency trends taking the course that the parties may anticipate. Furthermore, the Bank will not be held liable in the event that it does not prove possible to buy or sell securities or currency that the Client has requested to buy or sell in the price range requested by the Client.

The Client is aware that the trading of the Bank under these Terms and Conditions does not include market making or asset management. This means that the Bank does not guarantee alerts to the Client regarding the position of contracts or their closing at certain limits unless such services have been specifically negotiated with all the specific and general reservations that may apply at any time. It is therefore the responsibility of the Client to monitor the position and trends of contracts concluded with the Bank.

If the Bank has used any third party as intermediary in carrying out trading instructions, the Bank will not be held accountable for the actions or inaction of such party except in cases where the Bank has not observed its own rules of best execution in the choice of such intermediary. If the Bank has made use of the intermediation of a specific third party on the instructions of the Client, the Bank will not under any circumstances be held liable for the actions or inaction of such party.

Saga Capital is not liable for any purported loss suffered by the Client as a result of drops in the price of securities or price changes following calling, e.g. any purported profit that might have been made by the Client from price trends if the contract had not been called.

Since market conditions can change significantly in a short time, the Bank cannot guarantee that a request by the Client for a trade can be processed at the requested price. The Bank is not responsible for any loss suffered by the Client as a result of a trade order being processed at a less favourable price than assumed in the request, e.g. as a result of price trends during the time that it takes to process the request, or technical difficulties that may arise in the processing of the Client's request. However, this provision applies only in exceptional circumstances when the Bank is unable to fix the price of a particular trade that the Client requests owing to rapid changes in market conditions and in spite of reasonable efforts of the staff.

Saga Capital is not liable if the Client is in default of his or her obligations to the Bank with the result that the Bank enforces the collateral or exercises its option to sell the collateral or takes enforcement measures by other means at a lower price or rate than the Client may have anticipated.

In the event of a tax or public charge being levied on a transaction falling under these Terms and Conditions, the Client shall pay any such additional charge directly to the public authority in question, so that the Bank receives in full the payment due to the Bank under the contract in question. Saga Capital is not liable for any loss that the Client may suffer if any taxes or public levies which should have been collected from the Client were not, or were incorrectly, collected.

Saga Capital is not liable for any damage or loss incurred by the Client as a result of *force majeure*, such as natural catastrophes, terrorist acts, wars, imminent conflicts, strikes, lockouts, closed borders or trade embargos.

Saga Capital is not liable for any direct or indirect damage or loss resulting from events of a political, financial, social, technological or economic nature, including interruptions in communications, which are likely to prevent, terminate or disrupt in part or in full the services provided by the Bank, even if such events do not constitute events of *force majeure*.

Saga Capital is not liable for any damage or loss that the Client may suffer as a direct or indirect result of the failure of the equipment or computers of the Bank or its service providers, or for other similar reasons, e.g. in the use of the postal system, telephone, Swift or telefax. The Bank is not liable for losses caused directly or indirectly as a result of the information, services or actions of any third party.

## **12. OBLIGATION OF THE BANK TO INFORM AND NOTIFY**

Saga Capital will send to the Client an electronic confirmation of each purchase and sale of securities and currency which is effected for the Client within ten (10) days from the date of the trade. The Bank will also send to the Client a statement once a year. If the Client wishes for further statements or confirmations or to receive the statements in any other form, the Client shall bear the resulting cost. If the Client has not commented promptly in writing on a confirmation or on a statement within thirty (30) days from the date of the statement, the Bank will assume that the information they contain is correct, except in the case of obvious errors. In the event of errors, they shall be corrected and a notice sent to such effect.

In the event of the calling of a contract, or if the Client defaults on a payment on its due date, the Bank shall send to the Client a notice of the Bank's calculation of the amount due, and, as applicable, the value of any collateral enforced. The notice shall be sent within twenty-one (21) days from the due date, calling date or enforcement date of collateral.

Saga Capital will once a year send to the Client a statement of the services provided to the Client by Saga Capital. The statement will, *inter alia*, contain information on the cost of the service, where applicable.

Saga Capital has established rules concerning conflicts of interest, where measures are taken to prevent conflicts of interest between Saga Capital and the Client, on the one hand, and among clients of the Bank on the other hand. If it appears to Saga Capital that the Bank's measures will not fully protect the Client's interests, Saga Capital will inform the Client of the nature of, and reasons for, the conflict of interest before any further transactions are undertaken between the Bank and the Client.

### **13. OBLIGATION OF THE CLIENT TO INFORM AND NOTIFY**

**The Client undertakes to notify the Bank** immediately of any actual or foreseeable events of default pursuant to these Terms and Conditions and any related contracts, cf. Article 9 (*Default and authorisation of the bank to call the obligations of the Client*).

**The Client undertakes to notify the Bank** promptly in the event of any changes in previously supplied information concerning the Client, including any information or circumstances which could result in changes in the Bank's classification of the Client as a private investor, professional investor or approved counterparty.

**The Client undertakes to notify the Bank** promptly if he/she becomes an insider in, or financially linked to, a company which is listed in a regulated securities market pursuant to Chapter XII of the Act on securities transactions, or if other similar circumstances restrict the permission of the Client to trade in specific financial instruments.

The Client understands that in order to comply with the conditions imposed by the Act on securities transactions concerning the assessment of the classification of the Client, Saga Capital is required, under certain conditions, to obtain information on the financial position of the Client, investment experience, investment objectives, etc. Saga Capital is also permitted to base its assessment on the information obtained by the Bank from the Client, and the Bank will not independently assess whether the information from the Client is correct or not.

**If the Client is a legal person, the Client undertakes to send to the Bank**, in addition to documents supplied pursuant to Article 3 (*Start of trading*), audited annual financial reports and all quarterly reports signed by an auditor, provided that the trading involves credit risk for the Bank. These documents shall be sent as soon as they are available. In the event of any changes in the circumstances of the Client, whether a natural or legal person, so that the documents initially supplied no longer apply, e.g. in the event of changes in powers of attorney, executive management or agent, new documents shall be supplied promptly. Furthermore the Client shall notify of any other changes that may affect contracts between the parties.

On the demise of a Client who is a natural person, or dissolution of a Client who is a legal person, the Bank shall be notified at the earliest possible opportunity, and a duly authorised party shall inform the Bank of the disposal of the rights and obligations of the Client. If the Bank has not received information from such party, previously supplied information, e.g. concerning authorisation to represent the Client, shall be regarded as correct, and, in addition, the Bank shall then be permitted to call and/or close the contract of the Client with the Bank. The Bank is not liable for any loss that may result. Furthermore, the Bank reserves the right to refuse to carry out instructions if there is the least uncertainty as to who should be entitled to make decisions relating to the rights and

obligations of the Client following demise/dissolution, and the Bank accepts no liability for any losses which may result from such a refusal.

In the event that the Client is a legal person and a decision is made to dissolve the company, merge it with another company or companies, divide it into two or more independent companies, change its business activities so as to require amendment of the objects of the company as stated in its articles of association, or in the event of a substantial change in the ownership of the company, the Bank may terminate all contracts in effect between the Bank and the Client if it is the opinion of the Bank that such changes will have a substantially negative impact on the operating conditions, financial position or ability of the Client to meet obligations. The Client shall notify the Bank immediately of any such decision. The notice period for termination shall be fifteen (15) days from the date that the Bank notifies the Client of a decision to terminate the contracts of the Client with the Bank. All contracts shall as a result fall due immediately after the notice period and a financial settlement shall take place without delay.

#### **14. CONFIDENTIALITY AND NON-DISCRIMINATION**

The Bank is required to observe confidentiality to the Client as regards all his or her business with the Bank and any other matters relating to his or her interests which are confidential by law or by nature unless the Bank is ordered by a court of law to disclose information to the court or to the police authorities and unless the Bank is required by statutory law to disclose the information. According to the rules of various states the Bank may be required, subject to criminal liability and loss of voting rights, to disclose the beneficial owners of shares in publicly listed companies, whether flagging limits have been reached or not. If the Client wishes to trade in such markets, such request constitutes authorisation, but no obligation, for the Bank and its custody agents to inform the stock exchange in question or register of shares of the beneficial ownership.

With reference to Article 60 of the Act on financial undertakings No. 161/2002, the Client authorises the Bank to disclose to the Takeover Panel any information on the existence and principal substance of derivative contracts and loan agreements made between the Bank and the Client, including information on the equity share and the company/companies that the contracts concern and where the voting rights and rights to dividends from equity holdings lie according to the contract, for the purpose of assisting the Panel in achieving its objectives pursuant to its charter and rules of procedure, particularly its role of deliberating whether a takeover obligation has been established in individual cases. However, this information will be disclosed to the Takeover Panel only at the Panel's request. The confidentiality and disclosure procedures of the Takeover Panel are governed by the rules and procedures of the Panel at any time. "Takeover Panel" refers to the Panel established by an agreement dated 11 May 2005 by the Bankers and Securities Dealers' Association (SBV) of Iceland and other parties. This authorisation will remain in effect even if a new agreement is concluded on the work of the Panel or the existing agreement is extended, provided that the Bank, SBV or a comparable bankers' association is a party to such agreement.

The Client is aware that the Bank itself may be a counterparty in contracts or individual transactions, and realises at the same time that the Bank is bound by law to exercise the

utmost impartiality towards the Client in its activities, and to ensure that the Client receives fair and equal treatment in all significant respects. The proprietary market trading of the Bank shall in no way conflict with the interests of the Client. Furthermore, conducting the Bank's trading in a manner liable to give cause for suspicion that the trading is in conflict with the Client's interests shall be avoided. In this respect the Client is referred to the rules of procedure of the Bank concerning proprietary trading.

#### **15. AUTHORISATION FOR TRADING**

By signing these Terms and Conditions, the Client grants to his/her authorised signatories, financial officer and executive officer, whoever they may be at any time, as well as specifically authorised agents, power of attorney to engage in business transactions with Saga Capital.

The Client is permitted to restrict specifically the powers of signatories, financial officer, executive officer and agents, provided that this is done by a written notice to Saga Capital. Such restriction shall not take effect until it has been verifiably notified to the Bank.

In the event of the slightest doubt, in the opinion of the staff of Saga Capital, concerning the authorisation or powers of the person in question, or his/her status, the Bank may refuse to enter into a transaction until the authorisation of the person in question has been proven in a satisfactory manner.

If the Client does not restrict the power of attorney of a signatory, financial officer, executive officer or agent to specific transactions, the power of attorney shall extend to all the business transactions and services offered by the Bank at any time, including trading in listed and unlisted equity shares, trading in securities and any financial instruments, including swaps and derivatives.

#### **16. FURTHER PROVISIONS**

These Terms and Conditions, and any contracts entered into on the basis of these Terms and Conditions, are subject to Icelandic law, including Act No. 108/2007 on securities transactions, Act No. 30/2003 on undertakings for collective investment in transferable securities (UCITS) and investment funds, and Act No. 161/2002 on financial undertakings. Any dispute arising in connection with the interpretation of these Terms and Conditions or contracts made on their basis shall be brought before the District Court of North-eastern Iceland.

The Client may also submit any disputes relating to the interpretation of these Terms and Conditions or contracts made on their basis to the Complaints Committee on Transactions with Financial Firms if a resolution to the dispute has not been achieved within four weeks from the time that the dispute was notified in writing to the Bank. Further information on the Complaints Committee is available on the website <http://fme.is/?PageID=483>.

In the event of any discrepancy between these Terms and Conditions and the provisions of a contract made on the basis of these Terms and Conditions the provisions of the contract shall apply. Signature of these Terms and Conditions shall not prevent the Bank and the Client from signing an ISDA framework agreement on derivative trading, with annexes, or other comparable framework agreements. In such cases the provisions of the framework

agreements in question shall prevail to the extent that they are incompatible with the provisions of these Terms and Conditions, provided that the parties do not decide otherwise.

Saga Capital reserves the right to cancel these Terms and Conditions, add to them or amend them at any time. Significant amendments to these Terms and Conditions will be notified in writing and the Client is assumed to have accepted the decision of the Bank if a written comment from the Client has not been received thirty (30) days from the date of the notice from the Bank.

If the Client has supplied his or her e-mail address to Saga Capital, it will be understood that the Client has consented to be notified of significant amendments to these Terms and Conditions by e-mail. Any other changes will be assumed to have taken effect as of the time that they are posted on Saga Capital's website, [www.sagacapital.is](http://www.sagacapital.is). Amendments to these Terms and Conditions will not affect instruments made or concluded prior to the time that the amendments are made public.

If the Client wishes to terminate his or her business relations with Saga Capital, he or she shall notify the Bank in writing, in which case Saga Capital will then conclude the transactions and/or instruments made prior to the time that the notification reached the Bank. On the termination of business relations the Client authorises Saga Capital to settle all unpaid costs of the Client and deduct such costs from the Client's assets in the custody of Saga Capital.

These Terms and Conditions are standard for all clients of Saga Capital and cannot be amended by any action of the Client. Any notes, deletions, additions or other amendments made by the Client therefore have no effect for the Bank.

Headings in these Terms and Conditions are solely for convenience.

The Client, having attached his/her signature hereto, confirms that he/she has taken delivery of these Terms and Conditions, acquainted himself/herself with their substance and accepted them in all respects. The Client also understands and agrees that these Terms and Conditions form a part of any contract made between the Client and the Bank at any time.

<b>Location:</b>	
<b>Date:</b>	
<b>Client:</b>	
<b>Id. No.:</b>	
<b>Address:</b>	
<b>Tax residence:</b>	
<b>E-mail:</b>	
<b>Tel:</b>	
<b>Fax:</b>	

**Signature of Client, who is a natural person:**

\_\_\_\_\_

**On the Board of Directors of the Client, who is a legal person:**

Name	Id. No.	Signature

**Witnesses to the correct date, signature and financial competence of the Client:**

\_\_\_\_\_ Name and Id. No.

\_\_\_\_\_ Name and Id. No.

**ANNEX  
SAMPLE  
POWER OF ATTORNEY**

At a meeting of the Board of Directors of [name of legal person and Reg. No.] it was resolved that the following employees should empowered to enter into contracts on the basis of the Terms and Conditions of the Market Trading division of Saga Capital Investment Bank hf., which were signed by the Board of Directors of the Company on [date]

Name and sample signatures:

[ ... ]

Id. No.: [ ... ]

Position/department: [ ... ]

Tel: [ ... ]

Fax: [ ... ]

E-mail: [ ... ]

Type of contracts: [ ... ]

Amounts: [ ... ]

Any action taken by the above employee/any of the above employees pursuant to this Power of Attorney shall have the same effect as if the action had been taken by the Board of Directors. In the event of any changes being made in the issued powers of attorney this will be notified to the Bank in accordance with Article 13 (*Obligation of the Client to inform and notify*) of the General Terms and Conditions of Saga Capital Investment Bank hf. The Company undertakes to be bound by any and all contracts entered into by the above parties until a valid revocation is received by the Bank.

If the Company wishes to grant powers of attorney to another employee/other employees to enter into contracts with Saga Capital Investment Bank hf., a notice to this effect will be sent to the Bank, signed by the Board of Directors of the Company.

Furthermore, reference is made to the attached list of signatures of the Company dated On the Board of Directors of [name of legal person]

Name	Id. No.	Signature

Witnesses to the correct date, signatures of the parties:

\_\_\_\_\_  
Name and Id. No.

\_\_\_\_\_  
Name and Id. No.