

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 securities transactions 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 Securities Transactions.

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 securities transactions 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 and regional 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 24 of the Act on Securities Transactions.

Professional clients may request in writing to be categorised as retail clients, either generally or regarding a particular transaction or type of transaction. 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 securities transactions with eligible counterparties without being required to comply with the obligations under Articles 9, 14, 15, 16 and 18 and paragraph 1 of Article 19 of Act No. 108/2007 on Securities Transactions. 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. 108/2007 on Securities Transactions and Regulation No. 995/2007 on investor protection and the business conduct of financial undertakings.