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DRAFT DATED JULY 2014

SCHEDULE
to the
2002 MASTER AGREEMENT

dated as of August 15th 2014

between

ÍSLANDBANKI HF.

a corporation duly organised under the laws of Iceland
("Party A")

and

HAFNARFJARÐARKAUPSTAÐUR

a municipality duly organised under the laws of the Iceland
("Party B")

Part 1. Termination Provisions.

(a) **"Specified Entity"** means in relation to Party A for the purpose of:

Section 5(a)(v) (Default Under Specified Transaction) None Specified

Section 5(a)(vi) (Cross Default)..... None Specified

Section 5(a)(vii) (Bankruptcy)..... None Specified

Section 5(b)(v) (Credit Event Upon Merger)..... None Specified

and in relation to Party B for the purpose of:

Section 5(a)(v) (Default Under Specified Transaction) None Specified

Section 5(a)(vi) (Cross Default)..... None Specified

Section 5(a)(vii) (Bankruptcy)..... None Specified

Section 5(b)(v) (Credit Event Upon Merger)..... None Specified

(b) **"Specified Transaction"** shall have the meaning specified in Section 14 of this Agreement.

— (c) **"Cross Default"** applies to Party A and Party B provided however, that notwithstanding the foregoing, an Event of Default shall not occur if (a) the default, event of default or other similar condition or event referred to in (1) or the default referred to in (2) is a failure to pay caused solely by error or omission of an administrative or operational nature and the relevant agreement or instrument contains no grace period; and (b) funds were available to such party, Credit Support Provider of such party or any applicable Specified Entity of such party, as the case may be, to enable it to make the relevant payment when due; and (c) such relevant payment is made within three local Business Days of receipt of written notice from an interested party of such failure to pay.

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"Specified Indebtedness" has the meaning specified in Section 14 of this Agreement.

"Threshold Amount" means

- (d) **"Credit Event Upon Merger"** applies to Party A and Party B.
- (e) The **"Automatic Early Termination"** provision of Section 6(a) of this Agreement will not apply to Party A and will not apply to Party B.
- (f) **"Termination Currency"** means Icelandic Krona ("**ISK**").
- (g) **Additional Termination Event** will not apply.

Part 2. Representations.

- (a) **Party A and Party B Payer Tax Representations.** For the purpose of Section 3(e) of this Agreement, each of Party A and Party B makes the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 9(h) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on: (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement; (ii) the satisfaction of the agreement contained in Sections 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Sections 4(a)(i) or 4(a)(iii) of this Agreement; and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, except that it will not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) of this Agreement by reason of material prejudice to its legal or commercial position.

- (b) **Party A and Party B Payee Tax Representations.**

None

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Part 3. Agreement to Deliver Documents.

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

(a) Tax forms, documents or certificates to be delivered are:

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>
	None	

(b) Other documents to be delivered are:

<u>Party required to Deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Section 3(d) Representation</u>
Party A and Party B	Either (i) a signature booklet containing a secretary's certificate and resolutions ("authorising resolutions") or (ii) other authority documentation, in either case, which (x) authorizes the party to enter into derivatives transactions of the type contemplated by the parties and (y) is reasonably satisfactory in form and substance to the other party.	The earlier of (i) the fifth Local Business Day after the trade date of the first Transaction and (ii) upon execution of this Agreement and as deemed necessary for any further documentation.	Yes
Party A and Party B	A copy of the annual report of such party containing audited consolidated financial statements for each such financial year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organised.	As soon as practicable after the execution of this Agreement and also within 120 calendar days after the end of each fiscal year while there are any obligations outstanding under this Agreement.	No
Party A and Party B	Such other documents in relation to a Transaction or a contemplated Transaction as the other party may reasonably request.	Upon request	No

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Part 4. Miscellaneous.

(a) **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:

(i) Address for notices or communications to Party A:

ÍSLANDBANKI HF.

Address: Kirkjusandi 2
105 Reykjavik
Iceland

Attention: Treasury & Capital Markets

Facsimile No.: +354 440 4660 Telephone No.: +354 440
4000

With a copy of any notice sent pursuant to Section 5 or Section 6 to: Íslandsbanki hf.,
Attn: General Counsel, Kirkjusandi 2, Reykjavík, Iceland.

(ii) Address for notices or communications to Party B:

HAFNARFJARÐARBÆR

Address: Pósthólf 100
222 Hafnarfjörður
Iceland

Attention: Mayor of Hafnarfjörður

Facsimile No.: +354 585 5509 Telephone No.: +354 585
5500

(b) **Process Agent.** For the purpose of Section 13(c) of this Agreement:

(i) Party A: not applicable.

(ii) Party B: not applicable.

(c) **Offices.** The provisions of Section 10(a) of this Agreement will not apply to Party A and not to Party B.

(d) **Multibranch Party.** For the purpose of Section 10(c) of this Agreement:

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

(e) **"Calculation Agent"** means Party A.

(f) **"Credit Support Document"** means any credit support annex, any Confirmation and any other document, any of which by its terms secures, guarantees or otherwise supports either or both parties' obligations under this Agreement.

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(g)

(h) **Governing Law; Jurisdiction.** Sections 13(a) and (b) of the Agreement shall be deleted and replaced with the following:

"(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of England.

(b) **Jurisdiction and Third Party Rights.**

(i) **Jurisdiction.** With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement ("Proceedings"), each party:

- (1) irrevocably submits to the non-exclusive jurisdiction of the District Court of Reykjavík (*Héraðsdómur Reykjavíkur*); and
- (2) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party."

(i) **Waiver of Jury Trial.** Not applicable. .

(j) **Netting of Payments.** "Multiple Transaction Payment Netting" will not apply for the purpose of Section 2(c) of this Agreement unless the parties' respective Operations departments have agreed in writing to net payments in respect of one or more Transactions or one or more types of Transactions.

(k) **"Affiliate"** has the meaning specified in Section 14 of this Agreement.

(l) **Absence of Litigation.** For the purpose of Section 3(c) of this Agreement **"Specified Entity"** means in relation to both parties: None.

(m) **No Agency.** The provisions of Section 3(g) will apply to this Agreement.

(n) **Additional Representation** will apply. For the purpose of Section 3 of this Agreement the following Section 3(h) will constitute an Additional Representation:

"(h) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

- (1) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be

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considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction;

(2) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction; and

(3) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction."

- (o) **Recording of Conversations.** Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any Proceedings.

Part 5. Other Provisions.

- (a) **Set-off.** The parties agree to amend Section 6 by adding a new Section 6(f) as follows:

"(f) Upon the occurrence of an Event of Default or Termination Event under Section 5(b)(iv) or Section 5(b)(v) with respect to a party ("X"), the other party ("Y") will have the right (but not be obliged) without prior notice to X or any other person to set-off or apply any obligation of X owed to Y (or any Affiliate of Y) (whether or not matured or contingent and whether or not arising under this Agreement, and regardless of the currency, place of payment or booking office of the obligation) against any obligation of Y (or any Affiliate of Y) owed to X (whether or not matured or contingent and whether or not arising under this Agreement, and regardless of the currency, place of payment or booking office of the obligation). Y will give notice to the other party of any set-off effected under this Section 6(f).

Amounts (or the relevant portion of such amounts) subject to set-off may be converted by Y into the Termination Currency at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If any obligation is unascertained, Y may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise)."

- (b) **Pari Passu.** The parties agree to amend Section 3(a) by adding a new clause (vi) as follows:

"(vi) **Pari Passu.** Both parties represent and warrant to each other that its payment obligations hereunder rank and will rank at all times at least pari passu in all respects with all of its other unsecured obligations (except for those which are preferred by operation of law)."

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- (c) **ISDA Definitions.** As used in this Agreement (including in all Confirmations related to it), any reference to any ISDA Definitions Booklet and/or Credit Support Provisions shall mean that ISDA Definitions Booklet and/or those Credit Support Provisions.
- (d) **Procedures for Entering Into Transactions.** One Party shall deliver a Confirmation to the other Party relating to each Transaction, as agreed prior to the execution of each Transaction.
- (e) **Form of Agreement.** The parties hereby agree that the text of the body of the Agreement is intended to be the printed form of 2002 ISDA Master Agreement as published and copyrighted by the International Swaps and Derivatives Association, Inc.
- (f) **Contracts (Rights of Third Parties) Act 1999.** A person who is not a party to this agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement but this does not affect any right or remedy which exists or is available apart from that Act.
- (g) **Electronic Confirmations.** Where any Transaction is confirmed by means of an electronic messaging system including, but not limited to, SWIFT, such confirmation will constitute a "Confirmation" as referred to in this Agreement even where not so specified in the confirmation and accordingly, such Confirmation will supplement, form part of, and be subject to this Agreement and all provisions in this Agreement will govern the Confirmation.
- (h) **Written Evidence of Confirmations and Amendments.** Notwithstanding the provisions of Sections 9(b), 9(e)(i) and 9(e)(ii), any amendments hereto confirmed, and each Confirmation created, by facsimile or exchange of telexes or (as concerns the creation of Confirmations only) by an exchange of electronic messages, shall, at the request of either party be further evidenced by an instrument in writing executed by the parties hereto provided that, any failure to execute such an instrument shall not prejudice the validity or effectiveness of the exchange of telexes, facsimiles or (in the case of Confirmations only) the exchange of electronic messages.

Part 6. FX Transactions and Currency Option Transactions

- (a) **Scope of Part 6.** This Agreement, as modified by this Part (FX Transactions and Currency Option Transactions) of the Schedule, shall apply to all FX Transactions and Currency Option Transactions entered into or outstanding (whether before or after this Agreement is entered into) between the parties.
- (b) **Definitions.** Any Confirmation between the parties relating to an FX Transaction or Currency Option Transaction, whether or not it is expressed to be, shall constitute a "Confirmation" as referred to in this Agreement and shall incorporate the 1998 FX and Currency Option Definitions (as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and The Foreign Exchange Committee), including Annex A thereto as in effect on the Trade Date of the relevant Transaction (collectively, the "FX Definitions"). In the event of any inconsistency between the provisions of this Agreement and the FX Definitions, this Agreement will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Agreement or the FX Definitions, such Confirmation will prevail for the purposes of the relevant Transaction.
- (c) **Netting of Payments.** If, in accordance with Part 4(j) of this Schedule to this Agreement, the parties' respective Operations departments have agreed in writing that "Multiple Transaction Payment Netting" will apply for the purpose of Section 2(c) of this Agreement to any or all Transactions under this Agreement, then (i) obligations to make payments pursuant to FX

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Transactions shall only be netted, satisfied and discharged against obligations to make payments arising out of the same or other FX Transactions and obligations to make payments pursuant to Currency Option Transactions shall only be netted, satisfied and discharged against obligations to make payments arising out of the same or other Currency Option Transactions and (ii) Premiums in respect of Currency Option Transactions shall be netted, satisfied and discharged only against other Premiums in respect of Currency Option Transactions. The Calculation Agent shall notify the parties of the amounts of any such netted payments (which notice may be by telephone).

- (e) **Premium Payments.** Section 3.4 of the FX Definitions is hereby amended by adding the following new subparagraph at the end thereof:

"(c) **Payment of Premiums.** If any Premium is not received on the applicable Premium Payment Date, the Seller may elect either: (i) to accept a late payment of such Premium; (ii) to give written notice of such non-payment and, if such payment shall not be received within two (2) Local Business Days of such notice, treat the related Currency Option Transaction as void; or (iii) to give written notice of such non-payment and, if such payment shall not be received within two (2) Local Business Days of such notice, treat such non-payment as an Event of Default under Section 5(a)(i) of this Agreement. If the Seller elects to act under either clause (i) or (ii) of the preceding sentence, the Buyer shall pay all out-of-pocket costs and actual damages incurred in connection with such unpaid or late Premium or void Currency Option Transaction, including, without limitation, interest on such Premium in the same currency as such Premium at the then-prevailing market rate and any other costs or expenses incurred by the Seller in covering its obligations (including, without limitation, a delta hedge) with respect to such Currency Option Transaction."

- (f) **Discharge and Termination of Options.** The FX Definitions are hereby amended by adding the following new Section 3.9:

"Section 3.9. Discharge and Termination of Currency Option Transactions. Unless otherwise agreed, any Call or Put written by a party will automatically be terminated and discharged, in whole or in part, as applicable, against a Call or a Put, respectively, written by the other party, such termination and discharge to occur automatically upon the payment in full of the last Premium payable in respect of such Currency Option Transactions; *provided that*, such termination and discharge may only occur in respect of Currency Option Transactions:

- (a) each being with respect to the same Put Currency and the same Call Currency;
- (b) each having the same Expiration Date and Expiration Time;
- (c) each being of the same style (*i.e.*, both being American Style Options, both being European Style Options or both being Bermuda or Mid-Atlantic Style Options);
- (d) each having the same Strike Price;
- (e) neither of which shall have been exercised by delivery of a Notice of Exercise;
- (f) which are otherwise identical in terms that are material for the purposes of offset and discharge;

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and, upon the occurrence of such termination and discharge, neither party shall have any further obligation to the other party in respect of the relevant Currency Option Transactions or, as the case may be, parts thereof so terminated and discharged. Such termination and discharge shall be effective notwithstanding that either party (i) may fail to send out a Confirmation, (ii) may fail to record such termination and discharge in its books, or (iii) may send out a Confirmation that is inconsistent with such termination and discharge. In the case of a partial termination and discharge (*i.e.*, where the relevant Currency Option Transactions are for different amounts of the Currency Pair), the remaining portion of the Currency Option Transaction which is partially terminated and discharged shall continue to be a Currency Option Transaction for all purposes hereunder."

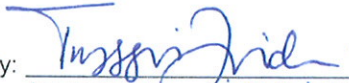
- (g) **Payments Relating to FX Transactions and Currency Option Transactions.** In the case of FX Transactions and Currency Option Transactions only, payments shall be made to the parties as specified in the relevant Confirmation or as otherwise advised.

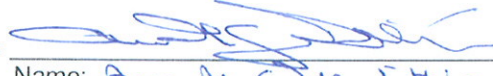
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IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

ÍSLANDBANKI HF.

By: 
Name: TÓMÁS DAVIDSSON
Title: MANAGING DIRECTOR
Date: 14/8/14

By: 
Name: Anna M. Gujónsdóttir
Title: EXECUTIVE DIRECTOR
Date: 14/8/14

HAFNARFJARÐARKAUPSTADUR

By: 
Name: Kristján Sturluson
Title: Director of Administration, Acting Mayor
Date: 14/8/14

By: _____
Name:
Title:
Date:

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