

## ANNEX - TERMS OF BOND/BILL OF EXCHANGE

### Issuer information:

Issuer:	The City of Reykjavík
National ID no.:	Tel. 530269-7609
LEI:	213800VNZTUTHLESGP19

### Issue information

Symbol (ticker):	RVKG 48 1
ISIN:	IS0000030781
CFI code:	D-N-F-U-F-R
FISN code:	REYKJAVIKURBORG/2.385 BD 20481021
Bond/bill:	Bonds
Total issued amount:	The category is open / no limit
Total amount previously issued:	0
Amount issued at this time:	4,100 million ISK
Denomination in securities depository:	ISK 1.-
Listed on the Stock Exchange	Yes

### Amortisation - Cash flow

Amortization type:	Annuity
Type of amortisation, if other:	-
Currency:	ISK
Currency if other:	-
Issue date:	17.12.2018
First ordinary instalment date of principal:	21.4.2019
Total number of instalments of principal:	60
Instalment frequency:	Two. Principal and interest are paid in 60 equal instalments. The maturity dates of principal and interest are twice per annum, 21 April and 21 October. The first payment of principal and interest is on 21 April 2019. If the maturity date does not fall on a banking day the maturity date shall be the next banking day thereafter. A banking day in this agreement is a weekday when the banks in Iceland are open for business.
Final payment of principal:	21.10.2048
Interest rate:	2.385%
Floating rate interest:	-
Floating rate interest, if other:	-
Premium:	-
Simple/compound interest:	Simple
Simple/compound, if other:	-
Day count convention:	30E/360
Day count convention, if other:	-

First interest date:	17.12.2018
Interest from date:	21/04/2019
Number of interest payments per annum:	Two. Principal and interest are paid in 60 equal instalments. The maturity dates of principal and interest are twice per annum, 21 April and 21 October. The first payment of principal and interest is on 21 April 2019. If the maturity date does not fall on a banking day the maturity date shall be the next banking day thereafter. A banking day in this agreement is a weekday when the banks in Iceland are open for business.
Total number of payments of interest:	60
If irregular payment flow, then how:	-
Dirty price/clean price:	Clean price
If the maturity date of instalment is on a holiday the interest dates shall be extended accordingly:	No

#### Indexing

Indexed:	Yes
Name of index:	Consumer price index
Daily index or monthly index:	Daily index
Day/monthly index, if other:	-
Base index value:	459.98667
Index base rate:	17.12.2018

#### Other information

Call option:	No
Put option:	No
Convertible:	No
Credit rating (rating agency, date):	No
Purpose of issue:	The bonds are issued as green bonds for financing green projects in accordance with the City of Reykjavík's green bond framework. The green bond framework is published on the City of Reykjavík's homepage at <a href="http://www.reykjavik.is/">http://www.reykjavik.is/</a> and is accessible to investors at the city offices at Borgartún 12-14 during office hours.
Security	The bonds are without security.
Indexing:	The bonds are fixed to the consumer price index with reference to the basic index on 17 December 2018 or 459,98667 points. The principal of the debt according to the bonds will change according to the changes in the indexation from the basic index to the first maturity date of the principal and interest and then according to changes in the indexation between later maturity dates. The

	principal of the debt shall be calculated before interest is added.
Place of payment:	The place of payment of principal and interest on maturity dates are at account operators in accordance with payment information from Nasdaq securities depository, and each account operator diverts payments into holding accounts of the bondholders.
Account operator:	The issuer shall take care of the calculation of payments on the bonds at each maturity date in accordance with their terms.
Default and penalty interest:	If the issuer does not pay on the maturity date of the bonds, and the owner of the bond has before that submitted confirmed proof of his ownership of a holding account with an account operator, the owner of the bond may collect default interest in accordance with the ruling of the Central Bank of Iceland, see Paragraph 1 Article 6 of Act no. 38/2001 on interest and indexation of a due or called-in amount.
Settlement permit:	The bond cannot be settled in full before a maturity date. However, the issuer may purchase the bonds, in full or in part, on the aftermarket.
Special terms:	<p><i>Utilisation of funds:</i> The issuer shall use the funds received from the issue of the bonds for green projects in accordance with the City of Reykjavík's green bond framework.</p> <p><i>Special audit:</i> An external auditor shall confirm at least once a year that the issuer has used the funds in accordance with the City of Reykjavík's green bond framework.</p> <p><i>Order of priority of claims:</i> Claims according to this bond issue shall always be <i>pari passu</i> among themselves and at each time have the same priority as other unsecured obligations of the issuer, other than subordinated liabilities and liabilities that shall have priority according to law. It is not permitted to afford other obligations with equal priority with special securities for their payment. A payment shall not be made to bond owners in the issue RVKG 48 1 unless the same ratio is paid to all bond owners in the issue. In spite of the above, however, the</p>

	<p>issuer may purchase the bonds, in full or in part on the aftermarket.</p> <p><i>Notification of default:</i>          If the issuer becomes aware of any kind of default event according to the terms of the bonds, it is obliged to publish a notice in the reporting system of Nasdaq Iceland hf, if the bonds have been accepted for trading on the sustainable bond market of Nasdaq Iceland hf. or if not to submit such a notice to Nasdaq Iceland securities depository hf. which will transmit the information to the bondholders.</p>
<p>Permission for acceleration:</p>	<p>A single bondholder does not have the right to unilaterally accelerate its bond. All the permissions for acceleration of the bond issue below are subject to the following conditions:</p> <p>(i) That 10% of the bondholders accept the acceleration if the issuer does not fulfil the terms according to section 1. (default) of the permissions for acceleration below.</p> <p>(ii) That 25% of bondholders accept the acceleration if the issuer does not comply with one of the conditions in sections 2 -5 of the permission for acceleration below.</p> <p>All permissions for acceleration are subject to the condition that the bondholders approve the acceleration in accordance with sections (i) and (ii) above at a bondholders' meeting.</p> <p>The issuer shall convene a meeting within one month from a) receiving a request for this from a bondholder or b) that he has otherwise defaulted on the terms of the bond. The issuer shall convene the meetings with at least one week's notice with an announcement in the notification system of Nasdaq Iceland hf. While the bonds have not been admitted to trading on the sustainable bond market of Nasdaq Iceland hf., the issuer shall submit a notification of the meeting to Nasdaq securities depository hf. which will forward it to the bondholders.</p> <p>Notifications of meetings, meeting documents and the conclusion of a meeting shall be published in</p>

the news system of Nasdaq Iceland hf. or submitted to Nasdaq securities depository hf. which will forward this information to bondholders while the bonds have not been admitted to trading on the sustainable bond market of Nasdaq Iceland hf.

According to the above, a bondholder shall be able to claim acceleration of the debt in the following instances:

*1. Default:*

If a payment of principal or interest according to the bonds has not been made 30 days after the maturity date to the holding account of the bondholder, in which case the bondholder has previous to that notified the issuer with a reasonable notice period and in a confirmable manner about his ownership of the holding account at an account operator in this country as well as a deposit account connected with the respective holding account.

*2. Default on other obligations:*

If the issuer defaults on his financial obligations according to the loan agreement or if the issuer defaults on the payment of other financial obligations which it has given over and above ISK 1,500 million for individual obligations or that such a default amounts to a total of more than ISK 3,000 million when the obligations in question become due and the issuer has not delivered on them within 30 days of the due date. However, this does not apply to a default arising from a justifiable objection of the issuer against such a claim and for which normal methods of defence are maintained. The above reference amounts shall change according to the consumer price index with reference to the basic index on 17 December 2018 or 459,98667 points.

*3. Divesting of financial control*

If the issuers has been divested of financial control according to Article 86 of the Local Government Act no. 138/2011.

*4. Special terms:*

	<p>If the issuer defaults on the special terms noted above.</p> <p>5. <i>Acceptance for trading:</i>          If the bonds have not been accepted for trading on the sustainable bond market of Nasdaq Iceland before 30 June 2019 and if the bonds are removed from trading prior to their final maturity date.</p> <p>If the debt is accelerated the debtor may be subject to enforcement of financial obligations without a judgment or court settlement according to point 7 of paragraph 1 of Article 1 of Act no. 90/1989 on Enforcement, prior to a request for payment according to Article 7 of the Act, see however Article 71 of the Act on Local Government no. 138/2011. Along with covering the principal of the debt the permission for enforcement shall extend to interest, default interest and costs of collection procedures and further measures of execution, see paragraph 2 of Article 1 of Act no. 90/1989.</p>
Ownership information:	<p>The issuer may collect and receive information on registered bondholders at each time from a stock exchange and the account operators where the bonds are kept on holding accounts. The issuer shall treat the information as confidential and shall not divulge the information to a third party unless the issuer is bound to by law.</p>
Voting rights:	<p>The voting rights of a bondholder according to these terms shall be based on the amounts of each bondholder as a ratio of the bond issue. Own bonds of the issuer and/or connected parties do not afford the issuer voting rights and those bonds shall not be counted in the calculation of voting rights.</p>
Transfer:	<p>The bonds may only be transferred to a named party. The bonds are issued by electronic means at the Nasdaq securities depository hf. and account operators as they are defined in Act no. 131/1997 on the electronic registration of rights of title to securities may take care of mediating their transfer. The electronic registration of rights of title to securities at Nasdaq securities depository hf. following a final entry by the Nasdaq securities depository hf. affords the registered owner legal certification of the rights to which it is entitled.</p>

	There are no other limitations on transfer of these bonds.
Disputes	These bonds are subject to Icelandic law. Litigation arising from this bond issue may be conducted in the District Court of Reykjavík according to the provisions of Chapter XVII of Act no. 91/1991 on Civil Procedure.
Admitted to trading on an organised securities market.	The bonds will be admitted to trading on the sustainable bond market of Nasdaq Iceland hf. before 30 June 2019.
Alterations to the terms	<p>The issuer may request an alteration to the terms of the bonds. In order to accept a change in the terms of the bonds the agreement of the owners of 66.67% of the bonds (nominal value) attending a properly called creditors' meeting according to the terms of this bond issue.</p> <p>In spite of the above, the terms of the bonds as regards final settlement, amounts and payments of interest and principal shall not be changed unless agreed to by the owners of 90% of the bonds (nominal value) attending a properly called creditors' meeting according to the terms of this bond issue.</p> <p>The issuer shall be responsible for the notification of a meeting. Notification of meetings, meeting documents and the conclusion of a bondholders' meeting shall be reported to Nasdaq securities depository hf. and published on the news system of Nasdaq Iceland hf.</p> <p>The issuer shall notify the Nasdaq securities depository hf. of any alterations to the terms of the bond issue.</p>

Translated from Icelandic to English by a state authorised translator and court interpreter. The Icelandic version shall apply.