



The Housing Financing Fund

**AGREEMENT ON A PRIMARY DEALERSHIP SYSTEM
FOR HFF BOND AUCTIONS AND MARKET MAKING
OF HFF BONDS IN THE SECONDARY MARKET**

Agreement on a primary dealership system for HFF bond auctions and market making of HFF bonds in the secondary market

The Housing Financing Fund, hereafter referred to as HFF, national ID no. 661198-3629, and XXXXXXXX, national ID no. xxxxxx-xxxx, hereafter referred to as the primary dealer, make the following agreement on a primary dealership system for HFF bond auctions and market making of HFF bonds in the secondary market.

This agreement is identical to the agreements made with other market makers which are dated the same day as this agreement.

The objective of this agreement is to enhance price formation on HFF bonds and enhance their liquidity in the secondary market.

Article 1

HFF bond auctions and market maker access

HFF bond auctions will be held when necessary, based on HFF's issuance schedule. Auctions will be announced on the news system of the NASDAQ OMX in Iceland (hereafter referred to as the Exchange).

Primary dealers have exclusive rights to submit bids at HFF's auctions.

Article 2

Obligations of market makers in auctions

The primary dealer is obligated to submit bids at each auction for at least ISK 600 million at nominal value. Bids shall be in accordance with the terms of the auction and based on market prices of previously issued HFF bond classes. In the event that there will be more than two auctions during the month, the primary dealers are not obligated to submit bids at more than the first two auctions in the month.

Article 3

Obligations of market makers in the secondary market

The primary dealer is obligated to submit bid and ask quotes for HFF bond classes specified in Article 5, at the Exchange regulated market.

The minimum trading lot for each class shall be ISK 100 million at nominal value. Furthermore, the market maker is required to renew its bids at the Exchange within 10 minutes of their acceptance.

If, in one business day, the primary dealer's transactions in a specific bond class equal ISK 500 million at nominal value (transaction marked "AUTO"), the primary dealer is entitled to diverge from the maximum bid/ask spread requirements in a specific bond class that day. The primary dealer is entitled to diverge from the below specified maximum bid/ask spread given that his bid of ISK 300 million in the bond class has been accepted.

The maximum spread between the market maker's bid and ask prices is determined by the price of the offers. The maximum bid/ask spread in the classes specified in Article 5 can be:

Class	Max. Spread
HFF150224	0.50%
HFF150434	0.65%
HFF150644	0.80%
New Class	

The primary dealer grants HFF access to information regarding its bids and transactions at the Exchange, for HFF bond classes specified in this agreement. Since October 1, 2010, the primary dealer was no longer obligated to submit bids for HFF150914, but bids should be submitted.

If, during the term of the agreement, a new bond class will be created, an appendix to the agreement will be issued regarding the maximum bid/ask spread.

Article 4

Payment and calculation of commission

- i) Market making: HFF pays its primary dealer a quarterly turnover-linked commission throughout the term of the agreement. The commission is based on the primary dealer's market share of all transactions by all market makers at the Exchange (transactions marked "AUTO"), for the classes specified in Article 5. The commission will only be based on the primary dealer's trading, not on other dealers trading at the respective financial institution. Each quarter, ISK 20.0 million is available as commission payments to market makers and shall be paid no later than 15 days from the end of each quarter.
- ii) HFF bond auctions: HFF pays the market maker a 0.175% commission of the accepted bids on the auctions' settlement date.

Article 5

HFF bond classes

The agreement includes the following HFF bond classes:

Class	ISIN No.
HFF150914	XS0205348427
HFF150224	XS0195066146
HFF150434	XS0195066575
HFF150644	XS0195066658
New Class	Unknown

Article 6

Impact of market disruption

In the event of serious market disruption, HFF may, following a teleconference and upon consulting with the primary dealer, temporarily suspend individual provisions of this agreement.

Article 7

Communication and information disclosure

The primary dealer shall designate an employee to act as liaison with HFF. HFF will hold meetings with primary dealers as needed.

Article 8

Services for primary dealers

HFF offers special services to primary dealers. Rules regarding these services are specified in the appendix to this agreement and state that market makers have exclusive access to securities lending provided by HFF. The primary dealers are able to borrow HFF bonds on a temporary basis in exchange for other securities that will be held as collateral.

Article 9

Validity and termination of agreement

This agreement, and its appendix, enter into force on July 1, 2011 and expire on June 30, 2012. However, both parties are authorized to cancel the agreement with a 30 day notice. If either one of the parties believes that the agreement has been seriously violated, the agreement may be terminated without prior notice. However, the other party shall be notified in writing immediately of the termination. This agreement replaces previously made agreements between the contracting parties in relation to HFF bond issuance and market making in the secondary market.

Contracting parties agree to begin revising the agreement no later than May 1, 2012.

Reykjavík, June 15, 2011

The Housing Financing Fund

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Witnessed by:
