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 XXXXXXX, 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 750 million at market value. Bids shall be in accordance with the terms of the auction and based on market prices of issued HFF bond classes. In the event of more than three auctions of indexed and non-indexed HFF bonds during the month, primary dealers are not obligated to submit any more bids. Auctions of indexed and non-indexed bonds do not have to take place at the same time.

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.
Minimun bids in each class should be as follows:

Class	Nominal Value
HFF150224	80.000.000
HFF150434	70.000.000
HFF150644	65.000.000

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 equals 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 valid offers. The maximum bid/ask spread in the classes specified in Article 5 can be:

Class	**Max. Spread**
HFF150224	0.70%
HFF150434	0.95%
HFF150644	1,10%
New indexed class	
New non-indexed class	

The maximum bid/ask spread in new HFF bond classes will fall linear to the duration of previously issued bond classes according to the above table, based on the average duration of each new class with a maximum spread running 0.05% (5bp). The maximum spread in new bond classes will be at least 0.45%.

Maximum bid/ask spread requirements do not apply to the following classes. Primary dealers are, however, obligated to submit a bid of ISK 100 million.

Class	**Max. Spread**
HFF150914	Not specified. Bids should be submitted

New bond classes will possible be issued during the term of this agreement; an indexed bond class on one hand, and non-indexed on the other.

The primary dealer grants HFF access to information regarding its bids and transactions at the Exchange, for HFF bond classes specified in this agreement.

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 25.0 million is available as commission payments to all market makers and shall be paid no later than 15 days from the end of each quarter. For each new bond class issued during the term of the agreement, an ISK 5 million quarterly commission is added, starting on the day of the first auction of each new class.

ii) HFF bond auctions: HFF pays the market maker a 0.12% commission of the market value accepted bids on the auctions´ settlement date.

iii) If during the term, a swap auction will be held, the commission and form of such an auction should be negotiated with the primary dealers.

iv) Primary dealers should have at least 2 weeks to decide if they wish to participate in auctions of new bond classes. The scope and starting date of market making for these bonds should be negotiated and an appendix to this agreement must be made in order for any obligations or entitlements on behalf of the primary dealers to take place.

Article 5

HFF bond classes

The agreement includes the following HFF bond classes:

Class	**ISIN No.**
Indexed classes	
HFF150914	XS0205348427
HFF150224	XS0195066146
HFF150434	XS0195066575
HFF150644	XS0195066658
New class	Unknown
Non-indexed class	
New bond 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 dealers, 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, 2014 and expire on June 30, 2015. However, both parties are authorized to cancel the agreement with a 30 day notice until the contract has expired. If either one of the parties believes that the agreement has been seriously violated or in an event of force majeure, 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.

Reykjavík, June 30, 2014

The Housing Financing Fund XXXXXXXXXXXXXX.

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Witnessed by:

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