

EXECUTION VERSION

AMENDED AND RESTATED

INTERCOMPANY LOAN AGREEMENT

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND
as the Fund

and

ARION BANK HF.
as the Issuer and the Cash Manager

and

DEUTSCHE TRUSTEE COMPANY LIMITED
as the Representative

20 January 2012

CONTENTS

Clause	Page
1. Definitions and Construction	1
2. The Facility	2
3. Purpose.....	2
4. Conditions Precedent.....	2
5. Advance of Term Advances	3
6. Interest and Fee.....	4
7. Repayment	5
8. Taxes	6
9. Illegality	7
10. Mitigation	7
11. Intercompany Loan Event of Default.....	7
12. Payments.....	7
13. Further Provisions	8
14. Redenomination.....	10
15. Governing Law and Jurisdiction	10

Schedule

1. Term Advance Notice	11
2. Request.....	12
Signatories	13

THIS AGREEMENT is dated 20 January, 2012

BETWEEN:

- (1) **ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND**, ID number 570106-9610, an institutional investment fund established under the laws of Iceland, whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (referred to herein as the **Fund**);
- (2) **ARION BANK HF.**, ID number 581008-0150, a public limited company incorporated under the laws of Iceland, whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (in its capacities as the **Issuer** and the **Cash Manager**); and
- (3) **DEUTSCHE TRUSTEE COMPANY LIMITED**, a company incorporated under the laws of England and Wales whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (in its capacity as the **Representative**).

WHEREAS:

- (A) By resolutions of Covered Bondholders of each Series of the Covered Bonds issued pursuant to the Programme (the **Bondholders' Resolutions**) passed on or around the date hereof, the Covered Bondholders' authorised the Representative, on behalf of the Covered Bondholders, to, *inter alia*, amend and restate this Agreement in accordance with the provisions set out below.
- (B) From time to time the Issuer will issue Covered Bonds pursuant to the Programme.
- (C) The Issuer has agreed that it will lend the proceeds of any issue of Covered Bonds to the Fund.
- (D) This Agreement sets out the agreement between the Issuer and the Fund in relation to the lending of the proceeds of the issue of Covered Bonds to the Fund.
- (E) The Fund is an institutional investment fund established pursuant to Article 4 of Act No. 30/2003 on Undertaking for Collective Investment in Transferable Securities and Investment Funds, to be replaced by Article 4 of Act No. 128/2011 on Undertaking for Collective Investment in Transferable Securities and Investment Funds and Institutional Investor Funds with effect from 1 November, 2011. The day-to-day operations of the Fund are managed by Stefmir hf. formerly Kaupthing Asset Management Company hf. (the **Management Company**). The Management Company shall execute this Agreement on behalf of the Fund in accordance with the terms of the Articles of Association of the Fund, but in doing so it is hereby acknowledged and agreed that the Management Company shall not assume or have any obligations or liabilities to any other party under this Agreement.
- (F) This Agreement replaces the Intercompany Loan Agreement dated 29 March 2006 (the **Original Intercompany Loan Agreement**).

IT IS AGREED as follows:

1. **DEFINITIONS AND CONSTRUCTION**

- 1.1 The master definitions and construction agreement made between, *inter alios*, the parties to this Agreement on 20 January 2012 (as the same may be amended, varied and/or supplemented from time to time, the **Master Definitions and Construction Agreement**) is expressly and specifically incorporated into this Agreement and, accordingly, the expressions defined in the Master Definitions and Construction Agreement (as so amended, varied and/or supplemented) shall, except where the context otherwise requires and save where otherwise defined herein, have the same meanings in this Agreement, including the recitals hereto and this Agreement shall be construed in accordance with the interpretation provisions set out in Clause 2 of the Master Definitions and Construction Agreement.

1.2 The recitals to this Agreement shall constitute integral parts of this Agreement and shall be read with it for all their purposes and intents.

2. **THE FACILITY**

2.1 **Facility**

Subject to the terms of this Agreement, the Issuer agrees to make available to the Fund a multi-currency facility in an aggregate ISK Equivalent amount equal to the Total Credit Commitment (the **Facility**). On the Business Day prior to each Issue Date, the Issuer shall offer Term Advances to the Fund under the Facility that correspond to each Tranche of Covered Bonds to be issued by the Issuer on that Issue Date. Each Term Advance shall be in the currency of the corresponding Series or Tranche of Covered Bonds. Subject to the terms of this Agreement, on each Issue Date the Fund shall accept that offer.

2.2 **Existing Term Advances**

The parties hereto agree that the terms of this Agreement shall apply to all Term Advances made under the Original Intercompany Loan Agreement and the parties each agree to be bound by the terms of such Term Advances as if they had been made in accordance with the terms hereof.

3. **PURPOSE**

3.1 **Application of Term Advances by Fund**

Each Term Advance may only be used by the Fund:

- (a) as consideration in part for the acquisition of Loans and their Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement; and/or
- (b) subject to an Asset Coverage Test Breach Notice not having been served (and not revoked) on the relevant Issue Date, to make Unit Distributions to Holders by way of a distribution of each Holder's holding of Units in the Fund in an amount equal to the ISK Equivalent of the Term Advance or any part thereof, which shall be paid to each Holder on the relevant Issue Date by bank account transfer or as otherwise directed by each Holder; and/or
- (c) to invest in Substitution Assets (in an amount up to but not exceeding the prescribed limit); and/or
- (d) if an existing Series or part of an existing Series of Covered Bonds is being refinanced by the issue of Covered Bonds to which the Term Advance relates, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or
- (e) to make a deposit in the GIC Account.

3.2 **No obligation to monitor**

Without prejudice to the obligations of the Fund under this Clause 3, neither the Representative nor any of the Covered Bondholders shall be obliged to concern themselves as to the application of amounts drawn by the Fund under this Agreement.

4. **CONDITIONS PRECEDENT**

Conditions precedent

Save as the Issuer and the Representative may otherwise agree, each Term Advance will not be available for utilisation on an Issue Date unless:

- (a) the Issuer and the Representative have received a solvency certificate from the Fund, dated the Issue Date, in form and substance satisfactory to the Representative and the Issuer (each acting reasonably);
- (b) the related Series or, as applicable, Tranche of Covered Bonds has been issued by the Issuer on the relevant Issue Date and the subscription proceeds thereof have been received by or on behalf of the Issuer;
- (c) not later than 2.00 p.m. (Reykjavik time) on the relevant Issue Date (or such later time as may be agreed in writing by the Fund, the Issuer and the Representative), the Issuer and the Representative have received a Request from the Fund;
- (d) each of the Issuer and the Fund has confirmed in writing to the Representative that no Issuer Event of Default or Fund Event of Default has occurred and is continuing unwaived or unremedied at the relevant Issue Date or would result from the making of any Term Advance;
- (e) the aggregate of the ISK Equivalents of the principal amounts of the Term Advance to be made and any Term Advances outstanding on the relevant Issue Date does not exceed the Total Credit Commitment; and
- (f) no Asset Coverage Test Breach Notice is outstanding and has not been revoked.

5. **ADVANCE OF TERM ADVANCES**

5.1 **Notice to Fund**

On the Business Day prior to each Issue Date the Issuer shall give to the Fund (copied to the Representative) a Term Advance Notice, setting out *inter alia*:

- (a) the amount and currency or currencies of the proposed issue on the next Business Day of each Series or, as applicable, Tranche of Covered Bonds under the Programme;
- (b) the principal amount and currency of each Term Advance available for drawing under the Facility on the next Business Day;
- (c) the interest rate or the formula, method or other manner for determining the interest rate applicable to the Term Advance; and
- (d) the Loan Interest Periods applicable to the relevant Term Advance.

5.2 **Term Advances correspond to Series and Tranches of Covered Bonds**

- (a) Each Term Advance shall be identified by reference to the relevant Series and Tranche of Covered Bonds that is used to fund it, as set out in each Term Advance Notice. For instance, the Series 1 Tranche 1 Covered Bonds shall fund the Series 1 Tranche 1 Term Advance.
- (b) A Term Advance which is funded by the issue of a Tranche of Covered Bonds on an Issue Date shall be consolidated with the existing Term Advance corresponding to the Series of Covered Bonds that that Tranche will be consolidated with, with effect from the Loan Interest Payment Date for that Term Advance falling immediately after the relevant Issue Date.
- (c) For the purposes of this Agreement and the Transaction Documents, the principal amount of any Term Advance shall be equal to the nominal amount of the relevant Series or Tranche of Covered Bonds.

For the avoidance of doubt, the nominal amount of the relevant Series or Tranche shall not include any premium or discount received by the Issuer in connection with the issue thereof.

5.3 **Giving of Requests**

Not later than 2.00 p.m. on each Issue Date (or such later time as may be agreed in writing between the Fund, the Issuer and the Representative), the Fund shall give to the Issuer (copied to the Representative) a duly completed Request for the Term Advances in a principal amount and currency which corresponds to the principal amount and currency notified to the Fund in the Term Advance Notice of the previous Business Day. Each Request is irrevocable and (subject to the terms of this Agreement) obliges the Fund to borrow the whole amount specified in the Request on the relevant Drawdown Date upon the terms and subject to the conditions of this Agreement.

5.4 **Advance of Term Advances**

- (a) On receipt of a Request from the Fund and if the conditions set out in Clause 4 (Conditions Precedent) have been met, the Issuer shall make the Term Advances available to the Fund on the Issue Date.
- (b) The Issuer shall be entitled to deduct from any Term Advance the amount of any fee due and payable by the Fund to the Issuer under Clause 6.4 in connection with that Term Advance.

5.5 **Single drawing of the Term Advances**

Each Term Advance shall, subject to satisfaction of the matters specified in Clause 4 (Conditions Precedent), only be available for drawing in one amount by the Fund on the relevant Issue Date.

6. **INTEREST AND FEE**

6.1 **Interest Periods**

- (a) Each Loan Interest Period shall match the Interest Periods applicable to the corresponding Tranche or Series of Covered Bonds that funds such Term Advance. In the event of any lengthening or shortening of an Interest Period in respect of any Series or Tranche of Covered Bonds, the Loan Interest Periods will be subject to a corresponding lengthening or shortening. The Issuer shall notify (or shall procure notification to) the Fund of the Loan Interest Payment Dates and the Loan Interest Periods (including any amendment thereto).
- (b) Whenever it is necessary to compute an amount of interest in respect of a Term Advance for any period (including any Loan Interest Period), such interest shall be calculated or determined on the same basis as interest is computed in respect of the corresponding Tranche or Series of Covered Bonds that funded such Term Advance.
- (c) Interest payable in respect of a Term Advance shall be payable on each Loan Interest Payment Date following the Drawdown Date of that Term Advance.
- (d) If the payment of interest in respect of a Term Advance is deferred as a result of the service of an Asset Coverage Test Breach Notice pursuant to Clause 10 of the Fund Deed, then: (i) if such Asset Coverage Test Breach Notice is subsequently revoked, such payment of interest will be made on the next Fund Payment Date after the relevant Asset Coverage Test Breach Notice has been revoked; or (ii) in all other cases, such payment of interest will be made in accordance with the relevant Priorities of Payments.

6.2 **Interest rate**

- (a) The interest rate payable in respect of each Term Advance for each Loan Interest Period in respect of that Term Advance shall match the interest rate payable in respect of the

corresponding Interest Period in relation to the Tranche or Series of Covered Bonds that funded such Term Advance.

- (b) The Issuer shall, as soon as practicable after receiving notification under the Terms and Conditions of the Rate of Interest and Interest Amount or, as the case may be, Annuity Amount applicable to an Interest Period in respect of any Series or Tranche of Covered Bonds, notify (or procure notification to) the Fund of the rate of interest and interest amount or, as the case may be, Annuity Amount applicable to the corresponding Loan Interest Period in respect of the corresponding Term Advance.
- (c) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Clause 6, shall (in the absence of wilful default, bad faith or proven error) be binding on the Fund, the Cash Manager and the Representative and (in such absence as aforesaid) no liability to the Fund shall attach to the Representative, the Cash Manager or the Issuer in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

6.3 **Deferred interest**

To the extent that there are insufficient funds available to pay interest on the Term Advances on any Loan Interest Payment Date (or, if Clause 6.1(c) applies, the relevant Fund Payment Date), the shortfall in the interest amount payable will not then fall due but will instead be added to the principal amount outstanding of that Term Advance and interest will be payable on the increased balance of that Term Advance at the rate specified in Clause 6.2 above.

6.4 **Fee**

In consideration of the Issuer agreeing to make the Facility available to the Fund, the Fund agrees to pay to the Issuer a flat fee, in connection with each Term Advance relative to a Series or Tranche of Covered Bonds which is issued at a discount to its nominal amount, in an amount equal to the aggregate of: (i) the aggregate amount of the discount; and (ii) the amount of any underwriting, selling or other fee, commission or concession deducted from the proceeds of the issue of the relevant Series or Tranche of Covered Bonds by the Dealers or underwriters thereof.

Such fee shall be due and payable in the currency of the relevant Term Advance on the date of the making of the relevant Term Advance.

7. **REPAYMENT**

7.1 **Final Repayment**

Subject to Clause 7.2, and unless previously repaid in full, each Term Advance shall be due for repayment on the date that matches the Final Maturity Date of the corresponding Tranche or Series of Covered Bonds that funded such Term Advance. The Fund shall not be obliged to sell any Loans and their Related Security in the Portfolio in order to pay or repay any amounts due to the Issuer under this Agreement.

7.2 **Mandatory Repayment**

Each Term Advance shall be repaid on the dates and in the amounts corresponding to the redemption and/or repayment dates and amounts applicable to the corresponding Tranche or Series of Covered Bonds that funded it subject to payment of all higher amounts in the Pre-Acceleration Priority of Payment.

7.3 **Discharge of the Fund's obligations under this Agreement**

- (a) To the extent that the Fund purchases or otherwise acquires any Covered Bonds, the proceeds of which were originally applied by the Issuer to make a Term Advance to the Fund, (for the purposes of this Clause 7.3, the **Relevant Covered Bonds**) and the Relevant Covered Bonds are cancelled in accordance with Conditions 7.9 and 7.10, the Issuer will on such payment or repurchase being made become indebted to the Fund for an amount equal to the Principal Amount Outstanding of the repurchased Relevant Covered Bonds and any accrued interest thereon.
- (b) To the extent that the Fund makes, or there is made on its behalf, a payment under the terms of the Covered Bond Guarantee, the Issuer will on such payment being made become indebted to the Fund for an amount equal to such payment.
- (c) Any amounts owing by the Issuer to the Fund in respect of amounts paid by the Fund under the terms of the Covered Bond Guarantee or the repurchase of Relevant Covered Bonds, as applicable, shall be set-off automatically (and without any action being required by the Fund, the Issuer or the Representative) against any amounts repayable by the Fund under the terms of this Agreement. The amount set-off shall be the amount of the relevant payment made by the Fund under the Covered Bond Guarantee or the Principal Amount Outstanding of any Relevant Covered Bonds purchased and cancelled by the Fund in accordance with Conditions 7.9 and 7.10, as applicable, which amount shall be applied to reduce amounts repayable under the Intercompany Loan in the following order of priority:
 - (i) *first*, to reduce and discharge interest (including accrued interest) due and unpaid on the outstanding principal balance of the relevant Term Advance;
 - (ii) *second*, to reduce and discharge the outstanding principal balance of the relevant Term Advance; and
 - (iii) *third*, to reduce and discharge any other amounts due and payable by the Fund to the Issuer under this Agreement.
- (d) If the payment of principal in respect of a Term Advance is deferred as a result of the service of an Asset Coverage Test Breach Notice pursuant to Clause 10 of the Fund Deed, then: (i) if such Asset Coverage Test Breach Notice is subsequently revoked, such payment of principal will be made on the next Fund Payment Date after the relevant Asset Coverage Test Breach Notice has been revoked; or (ii) in all other cases, such payment of principal will be made in accordance with the relevant Priorities of Payments.

8. **TAXES**

8.1 **No gross up**

All payments by the Fund under this Agreement shall be made without any deduction or withholding for or on account of and free and clear of, any Taxes, except to the extent that the Fund is required by law to make payment subject to any Taxes.

8.2 **Tax receipts**

All Taxes required by law to be deducted or withheld by the Fund from any amounts paid or payable under this Agreement shall be paid, to the relevant taxation authority, by the Fund when due and the Fund shall, within 90 days of the payment being made, deliver to the Issuer evidence satisfactory to the Issuer (including all relevant Tax receipts) that the payment has been duly remitted to the appropriate taxation authority.

9. **ILLEGALITY**

If, at any time, it is unlawful for the Issuer to make, fund or allow to remain outstanding a Term Advance made or to be made by it under this Agreement, then the Issuer shall, promptly after becoming aware of the same, deliver to the Fund and the Representative a legal opinion to that effect from reputable counsel and the Issuer may require the Fund to prepay, on any Fund Payment Date, having given not more than 60 days' and not less than 30 days' (or such shorter period as may be required by any relevant law) prior written notice to the Fund and the Representative, the applicable Term Advance(s) without penalty or premium but subject to Clause 10 (Mitigation) of this Agreement.

10. **MITIGATION**

If circumstances arise in respect of the Issuer which would, or would upon the giving of notice, result in:

- (a) the prepayment of the Term Advances pursuant to Clause 9 (Illegality);
- (b) a withholding or deduction from the amount to be paid by the Fund on account of Taxes, pursuant to Clause 8 (Taxes),

then, without in any way limiting, reducing or otherwise qualifying the obligations of the Fund under this Agreement, the Issuer shall:

- (a) promptly upon becoming aware of the circumstances, notify the Representative and the Fund; and
- (b) upon written request from the Fund, take such steps as may be practical to mitigate the effects of those circumstances including (without limitation) the assignment of all its rights under this Agreement to, and assumption of all its obligations under this Agreement by, another company reasonably satisfactory to the Representative, which is willing to participate in the relevant Term Advances in its place and which is not subject to (a) or (b) above, provided that no such transfer or assignment and transfer may be permitted unless the Fund indemnifies the Issuer and the Representative for any reasonable costs and expenses properly incurred by them as a result of such transfer or assignment.

11. **INTERCOMPANY LOAN EVENT OF DEFAULT**

11.1 An Intercompany Loan Event of Default will occur if and only if the Fund does not pay within a period of 90 Business Days from the relevant due date any amount payable by it under this Agreement at the place and in the currency in which it is expressed to be payable in circumstances where the Fund has the funds available to make the relevant payment. There are no other Intercompany Loan Events of Default.

11.2 The Fund shall notify the Issuer and the Representative of any Intercompany Loan Event of Default promptly upon the Fund becoming aware of such event.

12. **PAYMENTS**

12.1 **Payment**

While any amounts remain outstanding under the Covered Bonds, the Issuer directs that all amounts to be paid to the Issuer under this Agreement in relation to a Term Advance shall be paid in the currency of that Term Advance for value by the Fund to such account of the Representative (or, if so directed by the Representative, the Principal Paying Agent) as is notified to the Fund in writing by the Representative for this purpose by not less than five Business Days prior to the first Loan Interest Payment Date in respect of that Term Advance, unless the Issuer has paid or redeemed the corresponding payment under the relevant Series of Covered Bonds (in which case the relevant amount

shall be paid by the Fund to such account of the Issuer as is notified to the Fund by the Issuer for this purpose). The Representative shall give at least five Business Days' notice in writing of any change to the account details of the Representative (or, as applicable, the Principal Paying Agent). For the avoidance of doubt, the Issuer agrees that any payment made in accordance with the above direction of the Issuer shall discharge the relevant obligation of the Fund under this Agreement as if the payment had been made directly to the Issuer.

12.2 Alternative payment arrangements

If, at any time, it shall become impracticable (by reason of any action of any governmental authority or any change in law, exchange control regulations or any similar event) for the Fund to make any payments under this Agreement in the manner specified in Clause 12.1 (Payment), then the Fund shall make such alternative arrangements for the payment of amounts due under this Agreement as are acceptable to the Issuer and the Representative (acting reasonably).

13. FURTHER PROVISIONS

13.1 No set-off

The Issuer agrees that it will advance the Term Advances to the Fund on each Issue Date (subject to the terms of this Agreement, including without limitation, Clause 4 (Conditions Precedent)) without set-off (including, without limitation, in respect of any amounts owed to it under any other Term Advance or in its capacity as a Holder) or counterclaim.

13.2 Evidence of indebtedness

In any proceeding, action or claim relating to this Agreement a statement as to any amount due and payable to the Issuer under this Agreement which is certified as being correct by an officer of the Representative shall, unless otherwise provided in this Agreement, be prima facie evidence that such amount is in fact due and payable.

13.3 Rights cumulative, waivers

The respective rights of the Fund, the Issuer and the Representative under this Agreement:

- (a) may be exercised as often as necessary;
- (b) are cumulative and not exclusive of its rights under the general law; and
- (c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any such right is not a waiver of that right.

13.4 Severability

If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect:

- (a) the validity or enforceability in that jurisdiction of any other provision of this Agreement; or
- (b) the validity or enforceability in other jurisdictions of that or any other provision of this Agreement.

13.5 Notices

Any notices to be given pursuant to this Agreement to any of the parties hereto shall be in writing and shall be sufficiently served if sent by prepaid first class post, by hand or facsimile transmission and

shall be deemed to be given (if by facsimile transmission) when despatched, (if delivered by hand) on the day of delivery if delivered before 5.00 p.m. (Reykjavik time) on a Business Day or on the next Business Day if delivered thereafter or on a day which is not a Business Day or (if by first class post) when it would be received in the ordinary course of post and shall be sent:

- (a) in the case of the Fund, to Arion Bank Mortgages Institutional Investor Fund at Borgartun 19, 105 Reykjavik, Iceland (facsimile number: +(354) 444 7489 and email: info@stefnir.is) for the attention of Stefnir hf. – Arion Bank Mortgages Institutional Investor Fund;
- (b) in the case of the Issuer, to Arion Bank hf. at Borgartun 19 at 105 Reykjavik, Iceland (facsimile number: +(354) 444 6229 and email: mtndesk@arionbanki.is) for the attention of the Funding Department;
- (c) in the case of the Cash Manager, to Arion Bank hf. at Borgartun 19, 105 Reykjavik, Iceland (facsimile number: +(354) 444 6229 and email: mtndesk@arionbanki.is) for the attention of the Funding Department; and
- (d) in the case of the Representative, to Deutsche Trustee Company Limited at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (facsimile number: +(44) 20 7547 6149 and email: TSS-GDS.EUR@db.com) for the attention of the Managing Director,

or to such other address or facsimile number or for the attention of such other person or entity as may from time to time be notified by any party to the others by written notice in accordance with the provisions of this Clause 13.5.

- 13.6 Notwithstanding Clause 13.5 above and provided that each give their prior consent to such delivery, any party to this Agreement may send notice to or otherwise communicate with any of the other parties to this Agreement by electronic mail. However, the electronic transmission of information cannot be guaranteed to be secure or virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Each of the parties to this Agreement shall be deemed: (i) to have received any electronic mail sent by the any other party to this Agreement pursuant to the terms of this Clause 13.6 subject to the risks (including the security risks of interception, unauthorised access, corruption or viruses) of communications via electronic mail; and (ii) to have performed reasonable virus checks required in connection with the receipt of electronic mail. Each party to this Agreement shall be responsible for protecting its own systems and interests in relation to electronic communications and each party to this Agreement (in each case including their respective directors, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between such parties and any party's reliance on such information. The exclusion of liability in the previous clause shall not apply to the extent that any liability arises out of acts, omissions or misrepresentations which are in any case criminal, dishonest or fraudulent on the part of their respective directors, partners, employees, agents or servants.

13.7 **Assignment**

None of the Issuer, the Fund or the Cash Manager may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Representative except as provided for in the Transaction Documents.

13.8 **Amendments and Variation**

Any amendments to this Agreement will be made only with the prior written consent of each party to this Agreement. No waiver of this Agreement shall be effective unless it is in writing and signed by (or by some person duly authorised by) each of the parties. No single or partial exercise of, or failure or

delay in exercising, any right under this Agreement shall constitute a waiver or preclude any other or further exercise of that or any other right.

13.9 Change of Issuer

If any entity assumes the obligations of the Issuer under the Covered Bonds, then for so long as any amount is outstanding under this Agreement, the parties to this Agreement shall execute such documents and take such action as the Representative may reasonably require for the purposes of vesting in the Replacement Issuer all the rights and obligations of the Issuer under this Agreement.

13.10 Change of Representative

In the event that there is any change in the identity of the Representative is appointed in accordance with the Representative and Agency Agreement, as the case may be, the parties to this Agreement shall execute such documents and take such actions as such new Representative may reasonably require for the purposes of vesting in such new Representative the rights or powers of the Representative under this Agreement and under the Representative and Agency Agreement and releasing the retiring Representative from further obligations thereunder.

13.11 Representative Liability

It is hereby acknowledged and agreed that by its execution of this Agreement the Representative shall not assume or have any obligations or liabilities to the Fund, the Issuer or the Cash Manager under this Agreement notwithstanding any provision of this Agreement and that the Representative has agreed to become a party to this Agreement for the purpose only of taking the benefit of this Agreement and agreeing to amendments to this Agreement pursuant to Clause 13.8 (Amendments and Variation). For the avoidance of doubt, the parties to this Agreement acknowledge that the rights and powers of the Representative are governed by the Representative and Agency Agreement. Any liberty or right which may be exercised or determination which may be made under this Agreement by the Representative may be exercised or made in the Representative's absolute discretion without any obligation to give reasons therefor and the Representative shall not be responsible for any liability occasioned by so acting.

13.12 Counterparts

This Agreement may be signed (manually or by facsimile) and delivered in more than one counterpart all of which, taken together, shall constitute one and the same Agreement.

14. REDENOMINATION

Each obligation under this Agreement which has been denominated in ISK shall be redenominated in Euro in accordance with EMU legislation upon such redenomination of the relative Covered Bonds.

15. GOVERNING LAW AND JURISDICTION

15.1 Governing Law

This Agreement is governed by, and shall be construed in accordance with, the laws of Iceland.

15.2 Jurisdiction

Each party to this Agreement irrevocably agrees that any dispute arising out of this Agreement shall be subject to the exclusive jurisdiction of the District Court of Reykjavik (*Héraðsdómur Reykjavíkur*).

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

TERM ADVANCE NOTICE

From: Arion Bank hf. (the **Issuer**)

To: Arion Bank Mortgages Institutional Investor Fund (the **Fund**)

Copy: Deutsche Trustee Company Limited (the **Representative**)

Date: []

Dear Sirs,

We refer to the agreement between, *inter alios*, ourselves, the Fund and the Representative (as from time to time amended, varied, novated or supplemented (the **Intercompany Loan Agreement**)) dated 20 January, 2012 whereby a Facility was made available to the Fund. Terms defined in the Intercompany Loan Agreement shall have the same meaning in this Term Advance Notice.

We hereby give you notice that, pursuant to the Intercompany Loan Agreement and upon the terms and subject to the conditions contained therein, we wish to make the following Term Advances available to the Fund on *[Drawdown Date]*:

- Series [] Tranche [] Term Advance in a principal amount and currency of [] to be funded by the Series [] Tranche [] Covered Bonds on the Issue Date

[List all Term Advances]

The aggregate amount available to be drawn under the Facility is [] *[List amounts for each currency in which Term Advances are available]*.

The Loan Interest Periods applicable to the Term Advance are: [] *[Set out relevant Interest Periods]*

The interest rate[s] applicable to the Term Advance [are] [shall be determined in accordance with the following method/ formula]: [] *[Set out relevant interest rate[s]]*

A copy of the Final Terms for the corresponding [Tranche/Series] of Covered Bonds that will fund such Term Advance is attached to this Term Advance Notice.

We hereby confirm that no Issuer Event of Default is outstanding that has not been waived or remedied to the satisfaction of the Representative or would result from the making of the Term Advance(s) specified in this Term Advance Notice.

Yours faithfully,

for and on behalf of
ARION BANK HF.

SCHEDULE 2

REQUEST

From: Arion Bank Mortgages Institutional Investor Fund (the **Fund**)

To: Arion Bank hf. (the **Issuer**)

Copy: Deutsche Trustee Company Limited (the **Representative**)

Date: []

Dear Sirs,

We refer to the agreement between, *inter alios*, ourselves, the Issuer and the Representative (as from time to time amended, varied, novated or supplemented (the **Intercompany Loan Agreement**)) dated 20 January, 2012 whereby a multi-currency credit facility was made available to us. Terms defined in the Intercompany Loan Agreement shall have the same meaning in this Request.

We hereby give you notice that, pursuant to the Intercompany Loan Agreement and upon the terms and subject to the conditions contained therein, we wish the Term Advances specified in the attached Term Advance Notice to be made available to us on [*Drawdown Date*]

We confirm that following the making of the Term Advance requested, the aggregate of the ISK Equivalents of the principal amounts outstanding of all Term Advances will not exceed the Total Credit Commitment.

The net proceeds of this drawdown should be credited to our account numbered [] with [].

We hereby confirm that no Fund Event of Default is outstanding that has not been waived or remedied to the satisfaction of the Representative or would result from the making of such Term Advance(s).

Yours faithfully,

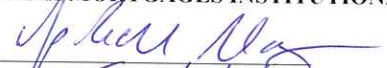

for and on behalf of

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

SIGNATORIES

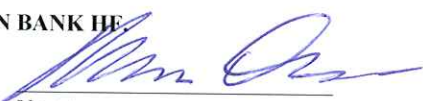
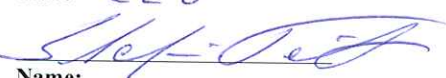
The Fund

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

By: 
Name: Fund Manager
Title: _____

Name: _____
Title: Managing Director


The Issuer and the Cash Manager

ARION BANK HE

By: 
Name: _____
Title: CEO

Name: _____
Title: _____

The Representative

DEUTSCHE TRUSTEE COMPANY LIMITED

By: 
Name: _____
Title: Associate Director

Name: _____
Title: Associate Director

SIGNATORIES

The Fund

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

By: _____
Name:
Title:

Name:
Title:

The Issuer and the Cash Manager


ARION BANK HF.


By: _____
Name:
Title:

Name:
Title:

The Representative

DEUTSCHE TRUSTEE COMPANY LIMITED

By: 
Name: Angeline Bernay
Title: Associate Director


Name: S. Pearson
Title: Associate Director