



The Housing Financing Fund

**Primary Dealership and Market Making Contract for HFF
Bonds**

**Contract relating to HFF bond issuance and market making
on the secondary market**

Contract concerning a primary dealership system at HFF bond auctions and market making of HFF bonds on the secondary market

The Housing Financing Fund, ID no. 661198-3629, hereafter referred to as HFF, and XXXXXX, ID no. xxxxxx-xxxx, hereafter referred to as Market Maker, agree on the following contract concerning a primary dealership system for HFF auctions and market making on the secondary market.

This contract is synonymous with contracts made with other market makers bearing the same date as this contract.

The aim of this contract is to secure price formation of HFF bonds and increase their marketability on the secondary market.

Art. 1

HFF bond auctions and market maker access

HFF bond auction will be held regularly, based on HFF's issuance schedule, and announced through the OMX Nordic Exchange in Iceland (OMX) news service.

Only market makers are allowed to bid at HFF auctions.

Art. 2

Market maker auction obligations

A market maker is obliged to quote a minimum total of ISK 2,000 million at nominal value on each auction. Bids shall be in accordance with auction terms and based on market price of previously issued HFF bond classes and other financial products considered similar at each time.

Art. 3

Market maker obligations on secondary market

Market makers are obliged to quote a buy and sell price at the OMX for those bond classes specified in Art. 5. Quotes for each class shall be at least ISK 100 million at nominal value.

Market makers are also obliged to renew their offers at the OMX within 10 minutes after bids are accepted. A market maker who deals for a market price of ISK 1,000 million in a specific bond class on a single business day may suspend quoting for the day in that particular class.

The maximum difference between buy and sell quotes by market makers is determined by the bid amounts. The maximum difference between buy and sell quotes in the classes specified in Art. 4 may be the following:

Class	Max. difference
HFF150914	0.35%
HFF150224	0.45%
HFF150434	0.50%
HFF150644	0.55%

Market makers grant the HFF access to information on their quotes and trading on the OMX for the HFF bond classes covered by this contract.

Art. 4

Payment and fee calculation

- i) Market making: The HFF pays its market makers a quarterly turnover-related fee throughout the contract duration. The fee is determined by the market maker's market share out of all market maker trading on the Iceland Stock Exchange, OMX trading, marked "AUTO", of the classes specified in Art. 5. An amount of ISK 12.5 million is available for appropriation to all market makers at each time, and the payment shall be made no later than 15 days from the end of each quarter.
- ii) HFF bond auctions: At HFF bond auctions the HFF pays its market makers a quarterly fee throughout the contract duration. The fee is determined from the market maker's market share of accepted auction bids 0.15% of the market value of accepted bids is available for appropriation to all market makers the payment shall be made no later than 15 days from the end of each quarter.

Art. 5

HFF bond classes covered by the contract

The classes covered by this contract are the following:

Class	ISIN no.
HFF150914	XS0205348427
HFF150224	XS0195066146
HFF150434	XS0195066575
HFF150644	XS0195066658

Art. 6

Contract provision cancellation due to market interruptions

Should a serious market interruption take place the HFF can, following a telephone conference and consultation with market makers, temporarily suspend individual provisions of this contract.

Art. 7

Communication and information

Market makers shall nominate one of their employees to act as contact person with HFF. HFF calls for meetings with market makers when HFF deems it necessary.

Art. 8

Facilitation amendment extension

HFF extends, to the same time period, see Art. 9., the contract amendments on facilitation in the form of reversible HFF bond trading specially intended for market makers. Only market makers have access to such dealings with the HFF. For details see Attachment 1, attached to this contract.

Art. 9

Contract duration and termination

This contract is valid from 1 July 2007 until 30 June 2008 with a 30-day termination notice for both parties during the contract period. In case of major contract violation, either party can terminate the contract without notice. This contract nullifies former contracts between the parties in relation to HFF bond issuance and market making on the secondary market.

If contract parties agree, contract provisions may be reviewed during the contract period.

Reykjavík, 15 June 2007

The Housing Financing Fund

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Witnesses:
