

EXECUTION VERSION

AMENDED AND RESTATED

MORTGAGE SALE AGREEMENT

ARION BANK HF.

as the Seller

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

as the Fund

DEUTSCHE TRUSTEE COMPANY LIMITED

as the Representative

20 January 2012

CONTENTS

Clause	Page
1. Definitions and Construction	1
2. Sale and Purchase of Initial Portfolio	2
3. Execution	2
4. Sale and Purchase of New Portfolios	3
5. Holding of Moneys.....	5
6. Perfection of the Sale.....	5
7. Representations and Warranties and Repurchase by the Seller	6
8. Further Assurance.....	8
9. Consequences of Breach	8
10. Sale of Selected Loans	9
11. Subordination.....	10
12. Non-Merger	10
13. Payments.....	10
14. Waivers and Variation.....	10
15. Notices	11
16. Assignment	11
17. Change of Representative.....	12
18. Governing Law and Submission to Jurisdiction	12
19. Counterparts; Severability	12
Schedule	
1. Representations and Warranties	13
2. Lending Criteria.....	16
3. Seller Power of Attorney	17
4. Loan Repurchase Notice	19
5. New Portfolio Notice.....	21
6. Selected Loan Offer Notice.....	23
7. Selected Loan Repurchase Notice.....	25
8. Exhibit 1.....	27
Signatories	28

THIS AGREEMENT is dated 20 January, 2012:

- (1) **ARION BANK HF.**, ID No. 581008-0150, a public limited company incorporated under the laws of Iceland, whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (acting in its capacity as the **Seller**);
- (2) **ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND**, ID No. 570106-9610, an institutional fund established under the laws of Iceland, whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (in its capacity as the **Fund**); 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 (acting 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) Kaupthing Bank hf. (the **Original Seller**) entered into a mortgage sale agreement dated 29 March, 2006 (the **Original Mortgage Sale Agreement**) with the Fund and the Representative. In furtherance of the Bondholders' Resolutions, the Seller is to be substituted for the Original Seller for all purposes in relation to this agreement as if it had been named as an original party hereto in place of the Original Seller.
- (C) The Seller carries on the business of, *inter alia*, originating mortgage loans to individual Borrowers secured on residential properties in Iceland.
- (D) The Seller has agreed to sell and the Fund has agreed to purchase certain of the mortgage loans together with benefit of the related security for the same on the terms and subject to the conditions set out in this Agreement.
- (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 Stefnir 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 amends and restates the Original Mortgage Sale Agreement.

IT IS HEREBY 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 or supplemented from time to time, to 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 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 and Construction Definitions Agreement.

- 1.2 Any schedule of New Loans attached to any New Portfolio Notice may be provided in a document stored upon electronic media (including, but not limited to, a CD-ROM) in a form acceptable to the Fund and the Representative (each acting reasonably).
- 1.3 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. **SALE AND PURCHASE OF INITIAL PORTFOLIO**

- 2.1 Subject to fulfilment of the conditions referred to in Clauses 3.1 and 4.4, if the Seller shall serve a properly completed New Portfolio Notice in duplicate on the Fund with a copy to the Representative, the Seller agrees that on the date for completion of the sale specified in such New Portfolio Notice, the Seller shall sell, with full title guarantee, to the Fund the Loans and their Related Security which, in the case of the Initial Portfolio occurred on the First Assignment Date. The Fund countersigned such New Portfolio Notice relating to the Initial Portfolio pursuant to Clause 4.2 and on or before the First Assignment Date the relevant Purchase Price provided to the Seller for the sale of the Loans and their Related Security comprised in the Initial Portfolio to the Fund was paid by a combination of;
 - (a) Initial Cash Consideration (which was paid in accordance with Clause 3.3); and/or
 - (b) the Seller being treated as having made an Equity Contribution in Kind in an amount equal to the difference between the aggregate Outstanding Principal Balance of the Loans in the Initial Portfolio as at the relevant Assignment Date and the Initial Cash Consideration (if any) paid pursuant to Clause 2.1(a).

3. **EXECUTION**

- 3.1 On or before 11.00 a.m. on the date hereof or such other time as the parties may agree, the Seller shall deliver to the Fund and the Representative, or a party nominated by the Representative, the following documents:
 - (a) two originals of the power of attorney substantially in the form set out in Schedule 3, duly executed by the Seller;
 - (b) a certified copy of the board minutes of the Seller authorising its duly appointed representatives to agree to the sale of the Loans and their Related Security and authorising execution and performance of this Agreement, the Servicing Agreement and the other Transaction Documents to which the Seller is a party (in any capacity) and all of the documentation to be entered into pursuant to this Agreement; and
 - (c) a solvency certificate signed by at least one authorised signatory of the Seller dated as at the date hereof in a form acceptable to the Fund and the Representative (each acting reasonably).
- 3.2 The Seller undertakes that from the First Assignment Date, the Seller has held and on and from the date hereof shall hold the Customer Files relating to each Loan in the Portfolio that are in its possession or under its control or held to its order or to the order of the Representative or as the Representative shall otherwise direct whilst such Loan remains in the Portfolio.
- 3.3 Subject to fulfilment of the conditions referred to in Clause 3.1, the Seller shall be paid the Initial Cash Consideration, by bank account transfer, by the Fund on the First Assignment Date.

4. SALE AND PURCHASE OF NEW PORTFOLIOS

- 4.1 Subject to fulfilment of the conditions and undertakings set out in Clauses 4.4 to 4.8 if the Seller, at any time and from time to time serves a properly completed New Portfolio Notice in duplicate on the Fund with a copy to the Representative (such service to be in the Seller's sole discretion), the Seller agrees that on the date for completion of the sale specified in such New Portfolio Notice the Seller shall sell, with full title guarantee, to the Fund the New Loans and their Related Security in the relevant New Portfolio.
- 4.2 Within three Business Days of receipt of a New Portfolio Notice in duplicate the Fund shall countersign that New Portfolio Notice in duplicate and return one original copy to the Seller with a copy to the Representative and the Fund agrees subject to the provisions of the Fund Deed to purchase, with full title guarantee, the relevant Loans and their Related Security which will be New Loans and their Related Security comprised in the relevant New Portfolio on the date for completion specified in the relevant New Portfolio Notice.
- 4.3 If at any time prior to the earlier to occur of:
- (a) an Issuer Event of Default; and
 - (b) a Fund Event of Default,

the Fund receives written notification from the Cash Manager that the Adjusted Aggregate Loan Amount is less than the aggregate ISK Equivalent of the Principal Amount Outstanding of all Covered Bonds, as determined by the Cash Manager on any Calculation Date, then the Fund shall, at its sole discretion, within three Business Days of receiving such written notice notify the Seller requesting that the Seller offer to sell, in accordance with the provisions of this Clause 4, to the Fund sufficient New Loans and their Related Security on or before the next Calculation Date to ensure that, taking into account the other assets and resources available to the Fund, the Asset Coverage Test is met on the next Calculation Date and the Seller undertakes to use all reasonable endeavours to offer to sell to the Fund and the Fund undertakes to use all reasonable endeavours to acquire from the Seller sufficient New Loans and their Related Security so that, taking into account the other assets and resources available to the Fund, the Asset Coverage Test is met on the next Calculation Date provided that the Seller shall not be obliged to sell to the Fund, and the Fund shall not be obliged to buy, New Loans and their Related Security if in the reasonable opinion of the Seller the sale to the Fund of such New Loans and their Related Security would adversely affect the business of the Seller.

- 4.4 The conditions to be met on each Assignment Date are:
- (a) there shall have been neither an Issuer Event of Default and service of an Issuer Acceleration Notice nor a Fund Event of Default and service of a Fund Acceleration Notice as at the relevant Assignment Date;
 - (b) no Loan that is proposed to be sold to the Fund on the relevant Assignment Date has a loan-to-value ratio of more than 80 per cent;
 - (c) no Loan that is proposed to be sold to the Fund on the relevant Assignment Date has, on such Assignment Date, an Outstanding Principal Balance of more than ISK 100,000,000;
 - (d) no Loan that is proposed to be sold to the Fund on the relevant Assignment Date relates to a Property which is not a residential Property and each Property is the primary residence of each Borrower and is owner-occupied;
 - (e) no Loan that is proposed to be sold to the Fund on the relevant Assignment Date is currently in default for 90 days or more; and

- (f) the Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loan.

Notwithstanding the foregoing, the Representative may waive or amend the above conditions.

- 4.5 The obligations of the Seller and the Fund under Clauses 4.1 and 4.2 shall be subject to and conditional upon no Insolvency Event having occurred in relation to the Seller or the Fund which is continuing as at the relevant Assignment Date provided that if any part of the consideration for a sale is satisfied pursuant to Clause 4.6, such condition shall be deemed to be satisfied or waived and, if the sale was in fact made at a time when an Insolvency Event had occurred and was continuing in relation to the Seller, Clause 7.5 shall be applicable on the same basis as if Schedule 1 had contained a Representation and Warranty that no Insolvency Event in relation to the Seller had occurred at such time and that there is a material breach of such Representation and Warranty.
- 4.6 Subject to fulfilment of the conditions referred to in Clauses 4.4 and 4.5, the relevant Purchase Price to be provided to the Seller for the sale of a New Portfolio to the Fund on an Assignment Date shall be satisfied by a combination of:
 - (a) a cash payment to be made by the Fund in the ISK Equivalent of the proceeds of the relevant Term Advance made on such Assignment Date and/or, subject to Clause 4.7, from Available Receipts; and/or
 - (b) the Seller being treated as having made an Equity Contribution in Kind in an amount equal to the difference between the Outstanding Principal Balance of the New Loans sold by the Seller as at the relevant Assignment Date and the cash payment (if any) made by the Fund in accordance with Clause 4.6(a).

The Seller shall be paid that part of the relevant Purchase Price constituting the cash payment referred to in Clause 4.6(a) by bank account transfer by the Fund on the relevant Assignment Date.

- 4.7 Subject to Clause 11 of the Fund Deed, on each Fund Payment Date the Fund may apply Available Receipts towards the purchase of New Loans and their Related Security offered to the Fund by the Seller in accordance with Clauses 4.1 and 4.2 and/or Substitution Assets (in respect of any Substitution Assets up to the prescribed limit) in an amount sufficient to ensure that taking into account the other assets and resources available to the Fund, the Fund is in compliance with the Asset Coverage Test.
- 4.8 On the date of the assignment of any New Portfolio, the Seller shall deliver to the Representative, or any party nominated by the Representative, the following documents:
 - (a) in respect of the first New Portfolio assigned on or after the date of this Agreement only, two originals of the power of attorney substantially in the form set out in Schedule 3, duly executed by the Seller or its properly appointed attorney;
 - (b) a certified copy of the board minutes of the Seller authorising its duly appointed representatives authorising execution and performance of this Agreement and the other Transaction Documents to which the Seller is a party (in any capacity) and all of the documentation to be entered into pursuant to this Agreement;
 - (c) a solvency certificate signed by at least one authorised signatory of the Seller dated as at the relevant Assignment Date, but only in the event that: (i) the relevant Assignment Date is also an Issue Date; and/or (ii) a solvency certificate has not been delivered by the Seller in the three months prior to the relevant Assignment Date; and/or (iii) if an Issuer Event of Default has occurred but no liquidator or administrator has been appointed.

Within three Business Days of the relevant Assignment Date the Seller undertakes to provide the Fund and the Representative with an updated, complete and accurate list of the New Loans and their Related Security that comprise the relevant New Portfolio.

- 4.9 The Seller undertakes that from the relevant Assignment Date until the perfection of the sale and purchase in accordance with Clause 6, the Seller shall hold the Customer Files relating to each New Loan in a New Portfolio assigned by it on the relevant Assignment Date that are in its possession or under its control or held to its order to the order of the Representative, or as the Representative shall otherwise direct, whilst such New Loan remains in the Portfolio.

5. **HOLDING OF MONEYS**

- 5.1 Notwithstanding the sales effected by this Agreement, if at, or at any other time after, the First Assignment Date (but prior to any repurchase in accordance with Clause 7) the Seller holds, or there is held to its order, or it receives, or there is received to its order any property, interests, rights or benefits and/or the proceeds thereof hereby agreed to be sold, the Seller undertakes to each of the Fund and the Representative that, subject to Clause 6, it will promptly remit, assign and/or transfer the same to the Fund or, if appropriate, the Representative or as either of them shall direct and until it does so or to the extent that the Seller is unable to effect such remittance, assignment, assignation or transfer, it will hold such property, interests, rights or benefits and/or the proceeds thereof as agent for the Fund.

- 5.2 If at, or at any other time after, the First Assignment Date the Fund holds, or there is held to its order, or it receives, or there is received to its order, any property, interests, rights or benefits relating to any Loan and its Related Security repurchased by the Seller pursuant to Clause 7 and/or the proceeds thereof, or relating to (without prejudice to Clause 8) any amounts payable by a Borrower to the Seller in respect of any Loan in the Portfolio which the Seller has not agreed to sell to the Fund, the Fund undertakes to the Seller that it will remit, assign, re-assign, retrocede or transfer the same to the Seller, as the case may require, and until it does so or to the extent that the Fund is unable to effect such remittance, assignment, assignation, re-assignment, retrocession or transfer, the Fund undertakes to hold such property, interests, rights or benefits and/or the proceeds thereof as agent for the Seller or as the Seller may direct provided that the Fund shall not be in breach of its obligations under this Clause 5 if, having received any such moneys and paid them to third parties in error, it pays an amount equal to the moneys so paid in error to the Seller in accordance with the relevant Servicing Agreement.

6. **PERFECTION OF THE SALE**

- 6.1 The assignment, assignation or transfer (as appropriate) of the Loans and their Related Security in the Portfolio (or, where specified below, the Selected Loans and their Related Security) contemplated by this Agreement shall be perfected by the Seller on the relevant Assignment Date. Such perfection shall be effected by annotation by the Seller of the Mortgage Document. Notice of such assignment, assignation or transfer (as appropriate) will be given to the Borrower on or before the fifth Business Day after the earliest to occur of:
- (a) service of a Fund Acceleration Notice or service of a Notice to Pay (unless the Seller has notified the Fund that it will accept the offer set out in the Selected Loan Offer Notice within the prescribed time); or
 - (b) in respect of Selected Loans only, at the request of the Fund following the acceptance of any offer to sell Selected Loans and their Related Security to any person who is not the Seller; or
 - (c) the Seller and/or the Fund being required to procure any or all of the acts referred to in this Clause 6 by an order of a court of competent jurisdiction or by any regulatory authority of which the Seller is a member or any organisation whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply; or

- (d) if the Fund and/or the Seller is obliged to notify the borrower on the basis of legislation which governs the agreements in question; or
- (e) unless otherwise agreed in writing by the Representative, the termination of the Seller's role as Servicer under the Servicing Agreement unless the New Servicer, if any, is a member of the Group; or
- (f) the occurrence of an Insolvency Event in relation to the Seller,

and, following any notification in accordance with this Clause 6.1, the Seller shall promptly give notice to the Fund and the Representative of the same.

6.2 The Seller shall indemnify each of the Fund and the Representative from and against any and all reasonable costs, fees and expenses which may be incurred by the Fund and/or the Representative by reason of the doing of any act, matter or thing referred to in this Clause 6.

6.3 If the Seller has not notified the Borrower in accordance with Clause 6.1 on or before the tenth Business Day after the earliest of any of the events set out in Clause 6.1, the Fund or the Representative shall notify the Borrower at the Seller's expense.

7. REPRESENTATIONS AND WARRANTIES AND REPURCHASE BY THE SELLER

7.1 The Seller hereby makes the Representations and Warranties:

- (a) in respect of each Loan or its Related Security in the Initial Portfolio on the First Assignment Date in favour of the Fund and the Representative; and
- (b) in relation to each New Loan or its Related Security in a New Portfolio sold by the Seller pursuant to Clause 4 of this Agreement, on the relevant Assignment Date.

7.2 Each statement comprised in the Representations and Warranties shall be construed as a separate statement and (save as expressly provided to the contrary) shall not be limited or restricted by reference to or inference from the terms of any other such statement.

7.3 The Seller acknowledges:

- (a) that the Representations and Warranties are made with a view to inducing the Fund and the Representative (as the case may be) either to enter into this Agreement and the other Transaction Documents to which it is a party or to agree to purchase the New Loans and their Related Security comprised in the Initial Portfolio and each New Portfolio;
- (b) that each of the Fund and the Representative has entered into this Agreement and the other Transaction Documents to which it is a party in reliance upon the Representations and Warranties notwithstanding any information in fact possessed or discoverable by the Fund and/or the Representative or otherwise disclosed to any of them; and
- (c) that prior to entering into this Agreement and the other Transaction Documents to which each is a party, neither the Fund nor the Representative has made any enquiries of any matter.

7.4 The Fund's and the Representative's sole remedy in respect of a breach of any of the Representations and Warranties shall be to take action under this Clause 7.

7.5 In the event of a material breach of any of the Representations or Warranties in respect of any Loan and/or its Related Security made under Clause 7.1 or if any of those Representations or Warranties proves to be materially untrue in the case of the Initial Portfolio, as at the First Assignment Date or, in the case of a New Portfolio as at the relevant Assignment Date and provided that:

- (a) the Fund has given the Seller not less than 10 Business Days' notice in writing;
- (b) the Fund has obtained the prior written consent of the Representative; and
- (c) such breach or untruth, where capable of remedy, is not remedied to the reasonable satisfaction of the Representative within the 10 Business Day period referred to in Clause 7.5(a) (or such longer period as the Representative may in its absolute discretion direct the Fund in writing),

then the Fund shall serve upon the Seller a Loan Repurchase Notice in duplicate substantially in the form set out in Schedule 4 requiring the Seller to repurchase the relevant Loan and its Related Security (and any other Loan secured or intended to be secured by that Related Security or any part of it) in accordance with Clause 7.7.

7.6 Prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or a Fund Event of Default and service of a Fund Acceleration Notice, the Seller may at any time offer to repurchase any Loan in the Portfolio and its Related Security (including, without limitation, any Defaulted Loan and its Related Security) from the Fund for a purchase price of not less than the aggregate Outstanding Principal Balance of the relevant Mortgage and all Arrears of Interest and Accrued Interest relating thereto. The Fund may at its absolute discretion accept such offer by delivering a Loan Repurchase Notice duly signed on behalf of the Fund and the provisions of Clause 7.7 shall apply, provided that if an Issuer Event of Default has occurred and no liquidator or administrator has been appointed, any such repurchase shall be conditional upon the delivery by the Seller to the Fund and the Representative of a solvency certificate (in such form as the Fund and the Representative may reasonably require).

7.7 Upon receipt of a Loan Repurchase Notice duly signed on behalf of the Fund the Seller shall sign and return a duplicate copy and shall thereby repurchase from the Fund, and the Fund shall re-assign or re-transfer to the Seller, the relevant Loan and its Related Security. Completion of such repurchase shall take place on the Calculation Date after receipt of such notice by the Seller or such other date as the Fund may direct in the Loan Repurchase Notice (provided that the date so specified by the Fund shall not be later than 30 days after receipt by the Seller of such notice) when the Seller shall pay to the GIC Account (or as the Fund shall direct) an amount equal to the aggregate of the Outstanding Principal Balance of such Loan or Loans and all Arrears of Interest and Accrued Interest relating thereto and, in the case of a repurchase of a Loan or Loans pursuant to Clause 7.5, any amounts which have been deducted from the amounts outstanding under such Loan or Loans as a result of any breach of the Representations and Warranties as at the date of such repurchase, and the provisions of Clause 7.8 shall apply.

Notwithstanding the foregoing, in respect of Loans which are the subject of a Loan Repurchase Notice delivered pursuant to the provisions of Clause 7.7 above, the Seller shall not be obliged to sign the duplicate copy of the Loan Repurchase Notice and the affected Loans shall not be repurchased by the Seller hereunder, if the Seller has not agreed to do so pursuant to Clause 7.7 above.

7.8 On the date of completion of any repurchase of a Loan and its Related Security in accordance with Clause 7.7 above, the Representative and the Fund shall at the cost of the Seller execute and deliver, or cause their respective duly authorised attorneys to execute and deliver, to the Seller:

- (a) a transfer of ownership of such Mortgage to the Seller by annotation by the Fund of the Mortgage Document; and
- (b) a notification to the Servicer that all further sums due in respect of such repurchased Loan are for the Seller's account.

7.9 Upon such completion of any purchase, transfer, repurchase or re-transfer of any Loan and its Related Security in accordance with this Clause 7, the Seller shall cease to be under any further obligation to

hold any Customer Files or other documents relating to such Loan or Loans and its or their Related Security to the order of the Fund and the Representative and if the Fund or the Representative then holds the Customer Files, the Fund or, as the case may be, the Representative shall forthwith return them to the Seller. Any such repurchase or retransfer by the Seller of a Loan or Loans and its or their Related Security shall constitute a discharge and release of the Seller from any claims which the Fund or the Representative may have against the Seller arising from the relevant Representation or Warranty in relation to that Loan or Loans and its or their Related Security only, but shall not affect any rights arising from a breach of any other express provision of this Agreement or any Representation or Warranty in relation to any other Loan and other Related Security.

- 7.10 Forthwith after the Seller becomes aware of any event which may reasonably give rise to an obligation under Clause 7.7 to repurchase any Loan it shall notify the Fund and the Representative in writing thereof as soon as reasonably practicable.
- 7.11 The terms of this Clause 7 shall not prejudice the rights of the Fund.
- 7.12 The parties to this Agreement may waive or amend the Representations and Warranties, with the prior written consent of the Representative in accordance with the terms and conditions of the Representative and Agency Agreement.

8. **FURTHER ASSURANCE**

- 8.1 The parties hereto agree that they will co-operate fully to do all such further acts and things and execute any further documents that may be necessary or desirable to give full effect to the transactions contemplated by this Agreement.
- 8.2 The Seller shall provide all reasonable co-operation to the Fund and the Representative to enable them to carry out their respective duties and enforce their rights under the Transaction Documents. Without prejudice to the generality of the foregoing, the Seller shall:
 - (a) upon reasonable prior notice and during normal office hours, permit the Fund, the Representative and their authorised employees and agents and other persons nominated by the Representative and approved by the Seller (such approval not to be unreasonably withheld or delayed), to review the Customer Files in relation to the Portfolio (subject to such person(s) agreeing to keep the same confidential provided that disclosure shall be permitted to the professional advisors and auditors of the party to whom such disclosure is made and/or to the extent that such disclosure is required by law or for the purpose of any judicial or other proceedings); and/or
 - (b) give promptly all such information and explanations relating to the Loans and their Related Security as the Fund and/or the Representative may reasonably request (including a list of the Loans and Related Security in the Portfolio along with details of the location of the Customer Files relating thereto),

provided that prior to giving notice to a Borrower in accordance with Clause 6, the Seller shall be under no obligation to provide any information or documentation to any person other than the Fund and/or the Representative or their respective employees and/or professional advisors or allow such person access to the Customer Files if to do so would result in a breach of the applicable Mortgage Conditions or applicable Icelandic data protection rules and regulations.

9. **CONSEQUENCES OF BREACH**

Without prejudice to Clause 7, the Fund and the Representative severally acknowledge to and agree with the Seller, and the Representative acknowledges to and agrees with the Fund, that the Seller shall have no liability or responsibility (whether, in either case, contractual, delictual or tortious, express or implied) for any loss or damage for or in respect of any breach of, or any act or omission in respect of,

any of its obligations hereunder other than loss or damage directly (and not indirectly or consequentially) suffered by the Fund by reason of such breach, act or omission. For this purpose (and without limiting the scope of the above exclusion in respect of indirect or consequential loss or damage) any loss or damage suffered by the Fund as a result of the breach, act or omission in question also having been or having given rise to a Fund Event of Default shall be treated as indirect or consequential loss or damage.

10. SALE OF SELECTED LOANS

10.1 If following service of an Asset Coverage Test Breach Notice (which has not been revoked) or service of a Notice to Pay, and prior to the Fund making any offer to sell Selected Loans and their Related Security to Purchasers, the Fund is required to sell the Selected Loans and their Related Security in accordance with Clause 12 of the Fund Deed, the Fund shall offer immediately to sell to the Seller those Selected Loans and their Related Security which the Seller has previously sold to the Fund for an offer price in aggregate equal to:

- (a) where the Selected Loans and their Related Security are offered for sale following service of an Asset Coverage Test Breach Notice but prior to service of a Notice to Pay, the then Outstanding Principal Balance of the Selected Loans and their Related Security, together with all Accrued Interest and Arrears of Interest relating thereto; or
- (b) where the Selected Loans and their Related Security are offered for sale following service of a Notice to Pay, the greater of the then Outstanding Principal Balance of the Selected Loans and all Arrears of Interest and Accrued Interest relating thereto and the Required Redemption Amount,

by serving on the Seller a Selected Loan Offer Notice in duplicate substantially in the form set out in Schedule 6.

10.2 If the Seller accepts the Fund offer to sell the relevant Selected Loans and their Related Security by signing the duplicate Selected Loan Offer Notice in a manner indicating acceptance and delivering it to the Fund with a copy to the Representative within ten Business Days from and including the date of the Selected Loan Offer Notice and provided that (if an Issuer Event of Default has occurred and no liquidator or administrator has been appointed) the Seller has provided a solvency certificate in a form acceptable to the Fund and the Representative (each acting reasonably), the Fund shall within three Business Days of receipt of such acceptance serve a Selected Loan Repurchase Notice substantially in the form set out in Schedule 7 on the Seller.

10.3 Those Selected Loans and their Related Security in respect of which the Seller rejects or fails within the requisite time limit to accept the Fund's offer to sell shall be offered for sale by the Fund to other Purchasers in the manner and on the terms set out in Clause 14 of the Fund Deed.

10.4 Upon receipt of the Selected Loan Repurchase Notice duly signed on behalf of the Fund, the Seller shall promptly sign and return a duplicate copy of the Selected Loan Repurchase Notice and shall repurchase from the Fund the Selected Loans and their Related Security (and any Loan secured or intended to be secured by that Related Security or any part of it) referred to in the relevant Selected Loan Repurchase Notice. Completion of such repurchase shall take place on the Fund Payment Date next occurring after receipt by the Seller of such Selected Loan Repurchase Notice or such date as the Fund may direct in the Selected Loan Repurchase Notice (provided that such date shall not be later than the earlier to occur of the date which is: (a) ten Business Days after receipt by the Fund of the returned Selected Loan Repurchase Notice; or (b) the Final Maturity Date of the Earliest Maturing Covered Bonds) when the Seller shall pay to the GIC Account (or as the Fund shall direct) an amount in cash equal to the offer price specified in the relevant Selected Loan Repurchase Notice provided that the offer price is not less than the Required Redemption Amount and the provisions of Clauses 10.5 and 10.6 shall apply.

- 10.5 On the date of completion of the repurchase of the Selected Loans and their Related Security in accordance with Clauses 10.3 and 10.4, the Representative and the Fund shall at the cost of the Seller execute and deliver, or cause their respective duly authorised attorneys to execute and deliver, to the Seller:
- (a) where notice has previously been given to the relevant Borrowers of the sale of those Borrowers' Loans to the Fund in accordance with Clause 6, a further notice to those Borrowers of the repurchase of those Borrowers' Loans by the Seller;
 - (b) a transfer of ownership of such Mortgage to the Seller by annotation by the Fund of the Mortgage Document; and
 - (c) a notification to the Servicer that all further sums due in respect of the Selected Loan are for the Seller's account.
- 10.6 Upon such completion of the repurchase of the Selected Loans and their Related Security in accordance with Clause 10.4 above or the sale of Selected Loans and their Related Security to a Purchaser or Purchasers pursuant to Clause 15 of the Fund Deed, the Seller shall cease to be under any further obligation to hold any Customer Files or other documents relating to the Selected Loans and their Related Security to the order of the Representative and if the Representative holds such documents it will send them to the Seller. Any repurchase by the Seller of or in respect of the Selected Loans and their Related Security or any sale of Selected Loans and their Related Security by the Fund to a Purchaser or Purchasers pursuant to Clause 15 of the Fund Deed, shall constitute a discharge and release of the Seller from any claims which the Fund or the Representative may have against the Seller arising from any Representation or Warranty in relation to the Selected Loans and their Related Security previously sold by the Seller to the Fund only but shall not affect any rights arising from a breach of any other express provision of this Agreement or any Representation and Warranty in relation to any other Loan and other Related Security.

11. **SUBORDINATION**

The Seller agrees with the Fund and the Representative that on the enforcement of any Mortgage any sums owed to the Seller by a Borrower and which are secured under such Mortgage and the rights and remedies of the Seller in respect of the sums owed to the Seller shall at all times be subject and subordinated to any sums owed to the Fund by the Borrower and which are secured under such Mortgage and to the rights and remedies of the Fund in respect of such sums owed to the Fund by the Borrower.

12. **NON-MERGER**

Any terms of this Agreement to which effect is not given on the First Assignment Date or on any Assignment Date (including in particular, but without limitation, the liability of the Seller under the Representations and Warranties and the indemnity in Clause 6.2) shall not merge and shall remain in full force and effect notwithstanding the sale and purchase contemplated by this Agreement.

13. **PAYMENTS**

Except as otherwise specifically provided, all payments to be made pursuant to this Agreement shall be made in ISK in immediately available funds without exercising or seeking to exercise any right of set-off as may otherwise exist and shall be deemed to be made when they are received by the payee and shall be accounted for accordingly unless failure to receive any payment is due to an error by the payee's bank.

14. **WAIVERS AND VARIATION**

- 14.1 Exercise or failure to exercise any right under this Agreement shall not, unless otherwise herein provided, constitute a waiver of that or any other right.

14.2 No variation 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 hereto.

15. NOTICES

15.1 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 by facsimile transmission and shall be deemed to be given (in the case of facsimile transmission) when despatched or (in the case of first class post) when it would be received in the ordinary course of the post and shall be sent:

- (a) in the case of the Seller, 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;
- (b) 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; and
- (c) 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 15.

15.2 Notwithstanding Clause 15.1 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 15.2 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.

16. ASSIGNMENT

Subject always to the provisions of Clause 17, no party hereto shall be entitled to assign all or any part of its rights or obligations hereunder to any other party without the prior written consent of each of the other parties hereto (which shall not, if requested, be unreasonably withheld) save that the Representative may at its sole discretion assign all or any of its rights under or in respect of this Agreement without such consent to any successor Representative.

17. **CHANGE OF REPRESENTATIVE**

17.1 If there is any change in the identity of the Representative in accordance with the Representative and Agency Agreement, the Seller and the Fund shall execute such documents and take such action as the successor Representative and the outgoing Representative may reasonably require for the purpose of vesting in the successor Representative the rights and powers of the outgoing Representative hereunder.

17.2 Notwithstanding any provision herein, 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 Seller or the Fund hereunder and that the Representative has agreed to become a party to this Agreement for the purpose only of taking the benefit of this Agreement. It is further acknowledged and agreed that the Representative shall not at any time assume any obligations of the Management Company under this Agreement or under the Articles of Association of the Fund. 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 but subject always to the provisions of Clause 12.6 of the Representative and Agency Agreement.

18. **GOVERNING LAW AND SUBMISSION TO JURISDICTION**

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

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

19. **COUNTERPARTS; SEVERABILITY**

19.1 This Agreement may be executed (manually or by facsimile) in any number of counterparts each of which when so executed and delivered (manually or by facsimile) is an original, but all the counterparts together constitute the same document.

19.2 Where any provision or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations under this Agreement, or of such provision or obligation in any other jurisdiction, shall not be affected or impaired thereby.

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

SCHEDULE 1

REPRESENTATIONS AND WARRANTIES

1. **Loans**
- 1.1 The particulars of each Loan set out in the Exhibit (or, as the case may be, the relevant New Portfolio Notice) are true, complete and accurate in all material respects.
- 1.2 Each Loan was originated by either Kaupthing hf. or the Seller and was originated and is denominated in ISK.
- 1.3 Each Loan was originated not earlier than 20 August, 2004, and each Loan matures for repayment not later than 1 January, 2060.
- 1.4 No Loan has an Outstanding Principal Balance of more than ISK 100,000,000.
- 1.5 Each Loan and its Related Security was originated in accordance with the Lending Criteria in force at the time of its origination.
- 1.6 Prior to the making of each advance under a Loan the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- 1.7
 - (a) Each Loan was made and its Related Security taken substantially on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect.
 - (b) The brochures, application forms, offers, offer conditions and marketing material distributed by the Seller to the Borrower when offering a Loan to a Borrower:
 - (i) do not conflict in any material respect with the terms of the relevant Standard Documentation agreed to by the relevant Borrower at the time that the Loan was entered into;
 - (ii) do not conflict with and would not prohibit or otherwise limit the terms of, the Transaction Documents or the matters contemplated thereby, including for the avoidance of doubt and without limitation:
 - (A) the assignment of the Loan and its Related Security to the Fund;
 - (B) the administration of the Loan and its Related Security by the Servicer or a delegate of the Servicer or the appointment of a New Servicer following the occurrence of an Insolvency Event in relation to the Servicer; and
- 1.8 Each Borrower has made at least one Monthly Payment.
- 1.9 Other than with respect to monthly payments, no Borrower is in material breach of any obligation owed in respect of the relevant Loan or under the Related Security and currently no steps have been taken by the Seller to enforce any Related Security.
- 1.10 The total amount of Arrears of Interest or principal, together with any fees, commissions and premiums payable at the same time as such interest payment or principal repayment, on any Loan is not on the relevant Assignment Date in respect of such Loan three or more times the Monthly Payment payable in respect of such Loan in respect of the month in which that Assignment Date falls.

- 1.11 The Outstanding Principal Balance, all Accrued Interest and all Arrears of Interest on each Loan constitute a valid debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower.
- 1.12 Interest on each Loan is charged in accordance with the Standard Documentation.
- 1.13 Interest on each Loan is payable monthly in arrears.
- 1.14 In respect of each Loan it is in compliance with the Consumer Credit Act No. 121 from 1994.
- 1.15 All of the Borrowers are individuals and were aged 18 or over at the date of entering into the relevant Loan and its Related Security.

2. **Mortgages**

- 2.1 The whole of the Outstanding Principal Balance on each Loan and any Arrears of Interest and all Accrued Interest is secured by a Mortgage.
- 2.2 Each Mortgage is in the form of the pro forma contained in the Standard Documentation.
- 2.3 Each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage over the relevant Property and may also constitute a valid and subsisting second charge by way of legal mortgage over a Property in the Portfolio over which a first charge is also taken.
- 2.4 Each Mortgage has first priority for the whole of the Outstanding Principal Balance on the Loan and all Arrears of Interest and Accrued Interest thereon and all future interest, fees, costs and expenses payable under or in respect of such Mortgage.
- 2.5 Each Loan and its Related Security is valid and binding and enforceable in accordance with its terms.

3. **The Properties**

- 3.1 All of the Properties are residential properties situated in Iceland.
- 3.2 Each Property constitutes a separate dwelling unit.

4. **Valuers' Reports**

- 4.1 Except in the case of certain Loans which have a low loan-to-value ratio (being about 50 per cent.) and the valuation of the relevant Property can be easily determined by using publicly available services, not more than six months (or such longer period as may be acceptable to a Reasonable, Prudent Mortgage Lender) prior to the grant of each Mortgage the Seller received a Valuation Report on the relevant Property (or such other form of report concerning the valuation of the relevant Property as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- 4.2 The benefit of all Valuation Reports, any other valuation report referred to above (if any), can be validly assigned to the Fund without obtaining the consent of the relevant valuer.

5. **Buildings Insurance**

Insurance cover for each Property is or will at all times be available under a policy arranged by the Borrower in accordance with the relevant Mortgage Conditions.

6. **The Seller's Title**

- 6.1 The Seller has good title to, and is the absolute unencumbered legal owner of, all property interests, rights and benefits agreed to be sold by the Seller to the Fund pursuant to this Agreement free and clear of all mortgages, securities, charges, liens, encumbrances, claims and equities.
- 6.2 All steps necessary to perfect the Seller's title to each Loan and its Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.
- 6.3 The Customer Files relating to each Loan and its Related Security are held by, or are under the control of:
- (a) the Seller; or
 - (b) the Seller's lawyers or licensed or qualified conveyancers to the order of the Seller.
- 6.4 Neither the entry by the Seller into this Agreement nor any transfer or assignment contemplated by this Agreement affects or will adversely affect any of the Loans and their Related Security and the Seller may freely assign its interest therein without breaching any term or condition applying to any of them.
- 6.5 The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Mortgage, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make.

7. **General**

- 7.1 The Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loan.
- 7.2 Neither the Seller nor any of its agents has received written notice of any litigation or dispute (subsisting, threatened or pending) in respect of any Borrower, Property or Mortgage which might have a material adverse effect on a Loan or its Related Security.
- 7.3 The Seller has received from each Borrower (save in the case of Borrowers who will make monthly payments by way of a direct payment at a bank or using an internet banking service) a variable direct debit instruction in favour of the Seller signed by the relevant Borrower and addressed to its bank, variable as to the amount payable by such Borrower by unilateral notice given from time to time by the Seller to such Borrower's bank without further instruction or consent from such Borrower or such other method of payment as may be acceptable to a Reasonable, Prudent Mortgage Lender.
- 7.4 There are no authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform the obligations under this Agreement or to render this Agreement legal, valid, binding, enforceable and admissible in evidence.

SCHEDULE 2
LENDING CRITERIA

Lending Criteria

The Loans in the Initial Portfolio or, as the case may be, the relevant New Portfolio were originated according to the Seller's lending policy at the relevant time, which in the case of the Initial Portfolio included the criteria set out below. However, the Seller retains the right to revise its lending policy from time to time, and so the criteria applicable to the New Loans may not be the same as those set out below.

1. **Types of Property**

Properties shall be residential real estate. All properties have been valued by a valuer approved by the Seller except in the case of certain Loans which have a low loan-to-value ratio and the valuation of the relevant Properties can be easily determined by using publicly available services.

2. **Term of Loan**

There is a minimum term on the Loans of 25 years. The maximum term is 42 years.

3. **Age of Applicant**

All Borrowers must be aged 18 or over. There is no maximum age limit.

4. **Loan to Value Ratio**

The maximum original loan-to-value ratio of Loans in the Initial Portfolio is 80 per cent. Value is determined, in the case of a remortgage, on the basis of the valuation of the valuer or, in the case of certain Loans which have a low loan-to-value ratio, the valuation determined by using publicly available services and, in the case of a Property which is being purchased, on the lower of such valuation and the purchase price and, in the case of a further advance, on the basis of such valuation or, where appropriate, according to a methodology which would meet the standards of a Reasonable, Prudent Mortgage Lender.

5. **Credit History**

5.1 Credit Search

A credit search is carried out in respect of all applicants. Applications may be declined where an adverse credit history (e.g. court judgment, default, bankruptcy notice) is revealed.

5.2 Existing Lender's Reference

The Seller may also seek a reference from any existing and/or previous lender. Any reference must satisfy the Seller that the account has been properly conducted and that no history of material arrears exists.

5.3 Bank Reference

A bank reference may be sought or the applicants may be required to provide bank statements in support of their application.

6. **Scorecard**

The Seller uses some of the above criteria and various other criteria to provide an overall score for the application which reflects a statistical analysis of the risk of advancing the Loan.

SCHEDULE 3

SELLER POWER OF ATTORNEY

THIS DEED OF POWER OF ATTORNEY is made on • by **ARION BANK HF.** whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (the **Seller**)

IN FAVOUR OF each of:

- (1) **ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND** whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (the **Fund**); and
- (2) **DEUTSCHE TRUSTEE COMPANY LIMITED**, acting through its offices at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (the **Representative**);

WHEREAS:

- (A) By virtue of a mortgage sale agreement dated 29 March, 2006 and made between Kaupthing Bank hf. (the "**Original Seller**"), the Fund and the Representative (the **Mortgage Sale Agreement**) provision was made for the execution by the Seller of the Power of Attorney appended as Schedule 3 thereto. The Mortgage Sale Agreement was amended and restated on 20 January, 2012 with the Seller being substituted for the Original Seller for all purposes thereunder.
- (B) Words and phrases in this Power of Attorney shall (save where expressed to the contrary) have the same meanings respectively as the words and phrases in the Master Definitions and Construction Agreement made between, *inter alios*, the parties to the Mortgage Sale Agreement on 20 January, 2012 (as the same may be amended, varied or supplemented from time to time with the consent of the parties to the Master Definitions and Construction Agreement) and this Power of Attorney shall be construed in accordance with the interpretation provisions set out in Clause 2 of the Master Definitions and Construction Agreement.

NOW THIS DEED WITNESSETH as follows:

1. The Seller irrevocably and by way of security for the performance of the covenants, conditions and undertakings on the part of the Seller contained in the Mortgage Sale Agreement and the Servicing Agreement **HEREBY APPOINTS** each of the Fund and the Representative and any receiver and/or administrator appointed from time to time in respect of the Fund or its assets (each an **Attorney**) severally to be its true and lawful attorney for the Seller and in the Seller's name or otherwise to do any act matter or thing which any Attorney considers necessary or desirable for the protection, preservation or enjoyment of that Attorney's (and at the request of any other Attorney, such other Attorney's) interest in the Mortgages and/or which ought to be done under the covenants, undertakings and provisions contained in the Mortgage Sale Agreement including (without limitation) any or all of the following:
 - (a) to execute, sign, seal and deliver (using the company seal of the Seller where appropriate) a conveyance, assignment, assignation or transfer of such Loans and their Related Security or any of them to the Fund and its successors in title or other person or persons entitled to the benefit thereof;
 - (b) to do every other act or thing which the Seller is obliged to do under the Mortgage Sale Agreement or which that Attorney may otherwise consider to be necessary proper or expedient for fully and effectually vesting or transferring the interests now or at any time hereafter sold thereunder in such Loans and their Related Security or any or each of them and/or the Seller's estate right and title therein or thereto in the Fund or other person or persons entitled to the benefit thereof (as the case may be) in the same manner and as fully and effectually in all respects as the Seller could have done;

- (c) to exercise its rights, powers and discretions under the Loans including the right to fix the rate or rates of interest payable under the Loans in accordance with the terms thereof;
 - (d) to discharge the Mortgages or any of them and to sign, seal, deliver and execute such discharges, receipts, releases, surrenders, instruments, retrocessions and deeds as may be requisite or advisable in order to discharge the relevant Property or Properties from the Mortgages or any of them; and
 - (e) to exercise all the powers of the Seller in relation to such Loans and their Related Security.
2. Each Attorney shall have the power by writing under its hand by an officer of the Attorney from time to time to appoint a substitute who shall have power to act on behalf of the Seller as if that substitute shall have been originally appointed Attorney by this Power of Attorney (including, without limitation, the power of further substitution) and/or to revoke any such appointment at any time without assigning any reason therefor.
 3. The Seller hereby agrees at all times hereafter to ratify and confirm whatsoever the said Attorney or its attorneys shall lawfully do or cause to be done in and concerning the Loans or their Related Security by virtue of this Power of Attorney.
 4. The laws of Iceland shall apply to this Power of Attorney and the interpretation thereof.
 5. A person who is not a party to this Power of Attorney may not enforce any of its terms.

IN WITNESS WHEREOF the Seller has executed and delivered this document as a deed the day and year first before written.

EXECUTED as a **DEED** by)
ARION BANK HF.)
acting by its attorney)
in the presence of:)

Witness:

Name:

Address:

SCHEDULE 4

LOAN REPURCHASE NOTICE

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

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

1. It is hereby agreed that for the purpose of this notice the **Principal Agreement** shall mean the Mortgage Sale Agreement dated 29 March, 2006 made between the Seller, the Fund and Deutsche Trustee Company Limited (the **Representative**) as amended and restated on 20 January, 2012 (as the same may be or have been amended, varied or supplemented from time to time with the consent of those parties).
2. Save where the context otherwise requires, words and expressions in this notice shall have the same meanings respectively as when used in the Principal Agreement.
3. In accordance with Clause 7.7 of the Principal Agreement, upon receipt of this Mortgage Repurchase Notice by the Seller there shall exist between the Seller and the Fund an agreement (the **Agreement for Sale**) for the sale by the Fund to the Seller of the Mortgages more particularly described in the Schedule hereto. Completion of such sale shall take place on [].
4. The Agreement for Sale shall incorporate, *mutatis mutandis*, the relevant provisions of the Principal Agreement.

Dated []

For and on behalf of
ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

[On duplicate

We hereby acknowledge receipt of and confirm the contents of the Mortgage Repurchase Notice dated [].

SIGNED for and on behalf of
ARION BANK HF.
in its capacity as the Seller]

SCHEDULE

1. Title No./Recording Date	2. Borrower	3. Account No.	4. Property Postcode	5. Date of Mortgage
--------------------------------	----------------	-------------------	----------------------------	---------------------------

SCHEDULE 5

NEW PORTFOLIO NOTICE

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

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

1. It is hereby agreed for the purpose of this notice the **Principal Agreement** shall mean the Mortgage Sale Agreement dated 29 March, 2006 made between the Seller, the Fund and Deutsche Trustee Company Limited (the **Representative**) as amended and restated on 20 January, 2012 (as the same may be or have been amended, varied or supplemented from time to time with the consent of those parties).
2. Save where the context otherwise requires, words and expressions in this notice shall have the same meanings respectively as when used in the Principal Agreement.
3. In accordance with and subject to Clause 4.1 of the Principal Agreement, upon receipt by the Seller of the duplicate of this notice signed by the Fund, there shall exist between the Seller and the Fund an agreement (the **Agreement for Sale**) for the sale by the Seller to the Fund of the New Mortgages more particularly described in the Schedule hereto (other than any New Loans which have been redeemed in full prior to the next following Assignment Date). Completion of such sale shall take place on [].
4. The Agreement for Sale shall incorporate, *mutatis mutandis*, the relevant provisions of the Principal Agreement subject to any amendment as may be agreed between the parties to Agreement for Sale provided the parties to such agreement have substantially the same rights and obligations as under the Principal Agreement.

Dated []

SIGNED for and on behalf of
ARION BANK HF.
in its capacity as the Seller

On duplicate:

We hereby acknowledge receipt of the New Portfolio Notice dated [], and confirm that we are prepared to purchase New Loans as set out in that notice.

SIGNED for and on behalf of
ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

SCHEDULE

1. Title No.	2. Borrower	3. Property Postcode	4. Account No.	5. Date of Mortgage
-----------------	----------------	-------------------------	-------------------	------------------------

SCHEDULE 6

SELECTED LOAN OFFER NOTICE

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

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

It is hereby agreed for the purpose of this Selected Loan Offer Notice the **Principal Agreement** shall mean the mortgage sale agreement dated 29 March, 2006, made between the Seller, the Fund and Deutsche Trustee Company Limited (the **Representative**) as amended and restated on 20 January, 2012 (as the same may be or have been amended, varied or supplemented from time to time with the consent of those parties).

Save where the context otherwise requires, words and expressions in this Selected Loan Offer Notice shall have the same meanings respectively as when used in the Principal Agreement.

In accordance with and subject to Clause 10 of the Principal Agreement we make an offer to you on the following terms:

1. This Selected Loan Offer Notice constitutes an offer to sell the Selected Loans and their Related Security more particularly described in the Schedule hereto to you at the offer price of ISK[] payable in cash on the earlier to occur of the date which is: (a) ten Business Days after receipt by the Fund of the returned Selected Loan Repurchase Notice; or (b) the Final Maturity Date of the Earliest Maturing Covered Bonds on the terms set out in Clause 10 of the Principal Agreement.
2. This offer is capable of acceptance by you within ten Business Days from and including the date of this Selected Loan Offer Notice. If you do not accept this offer, we intend to sell the Selected Loans and their Related Security to a third party or third parties.
3. This Selected Loan Offer Notice shall incorporate, *mutatis mutandis*, the relevant provisions of the Principal Agreement.

You may accept this offer to you by signing the duplicate of this Selected Loan Offer Notice in a manner indicating acceptance and delivering it to the Fund with a copy to the Representative.

We refer you to the Principal Agreement as to your rights, and the consequences of failure to accept this offer in time or at all or of doing so in a manner other than that specified in the Principal Agreement.

Dated []

for and on behalf of

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

We accept the offer contained in this Selected Loan Offer Notice.

Dated []

for and on behalf of

ARION BANK HF.

SCHEDULE

1. Title No.	2. Borrower	3. Account No.	4. Property Postcode	5. Date of Mortgage
-----------------	----------------	-------------------	-------------------------	------------------------

SCHEDULE 7

SELECTED LOAN REPURCHASE NOTICE

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

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

1. It is hereby agreed that for the purpose of this notice the **Principal Agreement** shall mean the Mortgage Sale Agreement dated 29 March, 2006 made between the Seller, the Fund and Deutsche Trustee Company Limited (the **Representative**) as amended and restated on 20 January, 2012 (as the same may be or have been amended, varied or supplemented from time to time with the consent of those parties).
2. Save where the context otherwise requires, words and expressions in this notice shall have the same meanings respectively as when used in the Principal Agreement.
3. In accordance with Clause 10 of the Principal Agreement, upon receipt of this Selected Mortgage Repurchase Notice by the Seller there shall exist between the Seller and the Fund an agreement (the **Agreement for Sale**) for the sale by the Fund to the Seller of the Selected Loans and their Related Security more particularly described in the Schedule hereto. Completion of such sale shall take place on [] and the price payable by the Seller for the Selected Loans and their Related Security more particularly described in the Schedule hereto shall be ISK[[]].
4. The Agreement for Sale shall incorporate, *mutatis mutandis*, the relevant provisions of the Principal Agreement.

Dated []

SIGNED for and on behalf of
ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

[On duplicate

We hereby acknowledge receipt of and confirm the contents of the Selected Loan Repurchase Notice dated [].

SIGNED for and on behalf of
ARION BANK HF.
in its capacity as the Seller]

SCHEDULE

1. Title No.	2. Borrower	3. Account No.	4. Property Postcode	5. Date of Mortgage
-----------------	----------------	-------------------	-------------------------	------------------------

EXHIBIT 1

STANDARD DOCUMENTATION

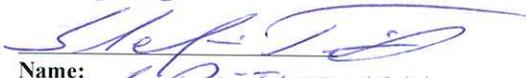
- (1) KB íbúðalán - 25 year loan.
- (2) 60-1455A KB íbúðalán - 25 year loan pledged parallel on the first charge.
- (3) 60-1456 KB íbúðalán - 40 year loan.
- (4) 60-1456A KB íbúðalán - 40 year loan pledged parallel on the first charge.
- (5) Payment valuation document.
- (6) 60-1199 Contract on repayment on other loans pledge on the property.

SIGNATORIES

The Seller

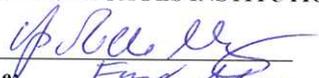
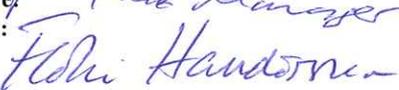
ARION BANK HF.

By: 
Name: H.H. ONAFSSON
Title: CEO


Name: S. PETERSSON
Title: CFO

The Fund

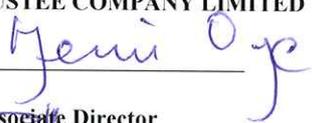
ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

By: 
Name: Fund Manager
Title: 

Name:
Title:

The Representative

DEUTSCHE TRUSTEE COMPANY LIMITED

By: 
Name: Yenni Oye
Title: Associate Director

Name:
Title: Associate Director

SIGNATORIES

The Seller

ARION BANK HF.

By: _____

Name:

Title:

Name:

Title:

The Fund

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

By: _____

Name:

Title:

Name:

Title:

The Representative

DEUTSCHE TRUSTEE COMPANY LIMITED

By: Angeline Boney

Name: Angeline Boney

Title: Associate Director

S. Ferguson

Name: S. Ferguson

Title: Associate Director