

**EXECUTION VERSION**

**AMENDED AND RESTATED**

**SERVICING AND CUSTODY AGREEMENT**

**ARION BANK HF.**

as the Servicer and the Seller

and

**ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND**

as the Fund

and

**DEUTSCHE TRUSTEE COMPANY LIMITED**

as the Representative

and

**VERDIS HF.**

**formerly ARION CUSTODY SERVICES HF.**

as the Custody Agent

**20 January 2012**

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**THIS SERVICING AND CUSTODY AGREEMENT** is made as a deed on 20 January, 2012

**BETWEEN:**

- (1) **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 Reykjavík, Iceland (in its capacity as **Servicer** and in its capacity as **Seller**);
- (2) **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**);
- (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**); and
- (4) **VERDIS HF. formerly ARION CUSTODY SERVICES HF.**, ID number 470502-4520, a company incorporated under the laws of Iceland whose registered office is at Armuli 13, 105 Reykjavik, Iceland (referred to herein as the **Custody Agent**).

**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) The Servicer carries on the business of, *inter alia*, administering mortgage secured on residential properties in Iceland.
- (C) By the Mortgage Sale Agreement, the Seller has agreed to sell the Loans and their Related Security to the Fund. The Fund shall hold those Loans and their Related Security in accordance with the Fund Deed.
- (D) 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.
- (E) The Servicer has agreed to provide administration and management services to the Fund on the terms and subject to the conditions contained in this Agreement (as the same may be amended and/or restated from time to time) in relation to, *inter alia*, the Loans and their Related Security comprised in the Portfolio from time to time.
- (F) The Custody Agent has agreed to provide the services specified in Article 20 of Act No. 30/2003 on UCITS and Investment Funds.
- (G) The Servicer has agreed with the parties hereto to make available to Investors the Monthly Reports (as defined below) in an electronic format.
- (H) This Agreement replaces the Servicing and Custody Agreement dated 29 March, 2006.

**IT IS HEREBY AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

- 1.1 The Master Definitions 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 For the purposes of this Agreement, **this Agreement** has the same meaning as Servicing Agreement in the Master Definitions Agreement.
- 1.3 Save as expressly provided herein, any warranties or undertakings provided under this Agreement are made to each other party to this Agreement.
- 1.4 The recitals to this Agreement shall constitute integral parts of this Agreement and shall be read with it for all purposes and intents.

**2. APPOINTMENT OF SERVICER AND CUSTODY AGENT**

- 2.1 Subject to Clause 4.4, and until termination pursuant to Clause 17, the Fund hereby appoints the Servicer as its lawful agent on its behalf to exercise its rights, powers and discretions, and to perform its duties, under and in relation to the Loans in the Portfolio and their Related Security. The Servicer hereby accepts such appointment on the terms and subject to the conditions of this Agreement. The Representative consents to the appointment of the Servicer on the terms of and subject to the conditions of this Agreement.
- 2.2 For the avoidance of doubt and in connection with the rights, powers and discretions conferred under Clause 2.1, during the continuance of its appointment hereunder, the Servicer shall, subject to the terms and conditions of this Agreement, the Mortgage Conditions, the Mortgage Sale Agreement and the Fund Deed, have the full power, authority and right to do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the administration of the Loans and their Related Security comprised in the Portfolio or the exercise of such rights, powers and discretions, provided however that none of the Seller, its directors or the Fund shall be required or obliged at any time to enter into any transaction or to comply with any directions which the Servicer may give with respect to the operating and financial policies of the Fund and the Servicer hereby acknowledges that all powers to determine such policies (including the determination of whether or not any particular policy is for the benefit of the Seller or the Fund) are, and shall at all times remain vested, as the case may be, in the Seller (and its directors) and/or in the Fund and none of the provisions of this Agreement shall be construed in a manner inconsistent with this proviso.
- 2.3 In addition, the Fund hereby appoints the Custody Agent to provide certain services to the Fund as detailed in Article 20 of Act No. 30/2003 on UCITS and Investment Funds (the **Custody Agent Services**). The Custody Agent hereby accepts such appointment on the terms and subject to the conditions of this Agreement. The Representative consents to the appointment of the Custody Agent on the terms and subject to the conditions of this Agreement.

**3. THE ADMINISTRATION SERVICES**

**3.1 General**

- (a) The duty of the Servicer shall be to provide the services set out in this Agreement including Schedule 1 hereto (the **Services**) provided that, for the avoidance of doubt, the Servicer shall

not provide any Custody Agent Services or any services which the Management Company is obliged to provide to the Fund as a matter of Icelandic law (including, without limitation, pursuant to Act No. 30/2003 on UCITS and Investment Funds) and/or pursuant to the terms of the Articles of Association of the Fund.

- (b) If and when the Servicer is requested to confirm or state the capacity in which it is administering and servicing the Loans and their Related Security comprised in the Portfolio and related matters pursuant to this Agreement by any Borrower or any third party not being a party to this Agreement and to whom the Servicer is obliged by law to disclose such information, the Servicer shall confirm or state that it is acting in its capacity as servicer of the Mortgages comprised in the Portfolio and related matters as agent for and on behalf of the Fund and not on its own behalf.
- (c) The Servicer shall, as soon as reasonably practicable, provide to the Custody Agent all such information relating to any services provided by it under this Agreement which the Custody Agent requires to perform the Custody Agent Services.
- (d) The obligation of the Custody Agent to provide the Custody Agent Services is dependent on receipt of Instructions from the Fund. In providing the Custody Agent Services the Custody Agent, or any subcontractor appointed pursuant to Clause 3.3, may use a Central Securities Depository, provided that such Central Securities Depository is:
  - (i) regulated by a financial regulatory authority;
  - (ii) holds any unit shares issued by the Fund under safekeeping conditions no less favourable than the conditions that apply to other participants of the Central Securities Depository;
  - (iii) maintains records that identify the unit shares of each participant and segregates such unit shares from the unit shares of other participants;
  - (iv) provides periodic reports to the Custody Agent with respect to the safekeeping of the unit shares including transfers to or from the Custody Agent's account with the Central Securities Depository; and
  - (v) is subject to periodic examination by regulatory authorities or independent accountants.
- (e) The Custody Agent shall also ensure that the custody arrangements with the Central Securities Depository will provide reasonable safeguards against the custody risk associated with maintaining the unit shares issued by the Fund with the Central Securities Depository. The Custody Agent shall promptly notify the Fund of any change in the risks associated with maintaining the unit shares issued by the Fund with the Central Securities Depository that it becomes acquainted with.

### 3.2 Subcontracts of Servicer

- (a) The Servicer may subcontract or delegate the performance of all or any of its powers and obligations under this Agreement, provided that (but subject to Clause 3.2(b)):
  - (i) the prior written consent of the Fund and the Representative to the proposed arrangement (including, if the Fund and the Representative consider it necessary, approving any contract which sets out the terms on which such arrangements are to be made) has been obtained;
  - (ii) where the arrangements involve the custody or control of any Customer Files relating to the Portfolio for the purpose of performing any delegated Services the

subcontractor or delegate has executed an acknowledgement in form and substance acceptable to the Fund and the Representative to the effect that any such Customer Files are and will be held to the order of the Representative or as the Representative shall direct;

- (iii) where the arrangements involve or may involve the receipt by the subcontractor or delegate of monies belonging to the Fund which, in accordance with this Agreement, are to be paid into the GIC Account, the subcontractor or delegate has executed a declaration in form and substance acceptable to the Fund that any such monies held by it or to its order are held by it as agent for the Fund and will be paid forthwith into the GIC Account in accordance with the terms of the Fund Deed;
  - (iv) any such subcontractor or delegate has executed a written waiver of any Security Interest arising in connection with such delegated Services (to the extent that such Security Interest relates to the Portfolio or any amount referred to in (iii) above); and
  - (v) neither the Representative nor the Fund shall have any liability for any costs, fees, charges or expenses payable to or incurred by such subcontractor or delegate or arising from the entering into, the continuance, amendment or the termination of any such arrangement.
- (b) The provisos in Clause 3.2(a)(i), (ii) and (iii) shall not apply:
- (i) to the engagement by the Servicer of:
    - (A) any receiver, lawyer, insurance broker, valuer, surveyor, accountant, estate agent, insolvency practitioner, auctioneer, bailiff, sheriff officer, debt counsellor, tracing agent, property management agent, licensed conveyancer, qualified conveyancer or other professional adviser acting as such; or
    - (B) any locksmith, builder or other contractor acting as such in relation to a Property,

in any such case being a person or persons whom the Servicer would be willing to appoint in respect of its own mortgages in connection with the performance by the Servicer of any of its obligations or functions or in connection with the exercise of its powers under this Agreement; or
  - (ii) to any delegation to any wholly-owned subsidiary of the Seller from time to time.
- (c) The Fund and the Representative may require the Servicer to assign to the Fund any rights which the Servicer may have against any subcontractor or delegate arising from the performance of services by such person relating to any matter contemplated by this Agreement and the Servicer acknowledges that such rights assigned to the Fund will be exercised by the Fund subject to the terms of the Fund Deed.
- (d) Notwithstanding any subcontracting or delegation of the performance of its obligations under this Agreement, the Servicer shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of all of the obligations of the Servicer under this Agreement, and the performance or non-performance or the manner of performance of any subcontractor or delegate of any of the Services shall not affect the Servicer's obligations under this Agreement and any breach in the performance of the Services by such subcontractor or delegate shall, subject to the Servicer being entitled for a period of 10 Business Days from receipt of any notice of the breach to remedy such breach by any subcontractor or delegate, be treated as a breach of this Agreement by the Servicer.

### 3.3 Subcontracts of Custody Agent

- (a) The Custody Agent may subcontract or delegate the performance of all or any of its powers and obligations under this Agreement, provided that:
  - (i) the prior written consent of the Fund, the Representative and the Servicer to the proposed arrangement (including, if the Fund, the Representative and the Servicer consider it necessary, approving any contract which sets out the terms on which such arrangements are to be made) has been obtained (such prior written consent not being required in respect of the subcontractors or delegates which are presently employed by the Custody Agent, a list of which has been provided to the Fund, the Representative and the Servicer); and
  - (ii) neither the Representative, the Fund nor the Servicer shall have any liability for any costs, fees, charges or expenses payable to or incurred by such subcontractor or delegate or arising from the entering into, the continuance, amendment or the termination of any such arrangement.
- (b) The Fund, the Representative and the Servicer may require the Custody Agent to assign to the Fund any rights which the Custody Agent may have against any subcontractor or delegate arising from the performance of services by such person relating to any matter contemplated by this Agreement and the Custody Agent acknowledges that such rights assigned to the Fund will be exercised by the Fund subject to the terms of the Fund Deed.
- (c) Notwithstanding any subcontracting or delegation of the performance of its obligations under this Agreement, the Custody Agent shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of all of the obligations of the Custody Agent under this Agreement, and the performance or non-performance or the manner of performance of any subcontractor or delegate of any of the Custody Agent's services shall not affect the Custody Agent's obligations under this Agreement and any breach in the performance of the Custody Agent's services by such subcontractor or delegate shall, subject to the Custody Agent being entitled for a period of 10 Business Days from receipt of any notice of the breach to remedy such breach by any subcontractor or delegate, be treated as a breach of this Agreement by the Custody Agent.

### 3.4 Notices etc.

Promptly upon request by the Fund and the Representative, the Servicer shall procure that any notices which the Fund or the Representative may require the Seller to give pursuant to Clause 6.1 of the Mortgage Sale Agreement are so given by the Servicer on the Seller's behalf.

### 3.5 Liability of Servicer

- (a) The Servicer shall indemnify the Fund on demand on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by the Fund in respect of the negligence, wilful misconduct or default of the Servicer in carrying out its functions as Servicer under this Agreement or the other Transaction Documents or as a result of a breach by the Servicer of the terms and provisions of this Agreement or the other Transaction Documents in relation to such functions.
- (b) For the avoidance of doubt, the Servicer shall not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by the Fund and/or any other person as a result of the proper performance of the Services by the Servicer save where such loss, liability, claim, expense or damage is suffered or incurred as a result of any negligence, wilful misconduct or default of the Servicer or as a result of a breach by the Servicer of the terms and provisions of this Agreement or the other Transaction Documents in relation to such functions.

### 3.6 **Liability of Custody Agent**

- (a) The Custody Agent shall indemnify the Fund on demand on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by the Fund in respect of the negligence, wilful misconduct or default of the Custody Agent in carrying out its functions as Custody Agent under this Agreement or the other Transaction Documents or as a result of a breach by the Custody Agent of the terms and provisions of this Agreement or the other Transaction Documents in relation to such functions.
- (b) For the avoidance of doubt, the Custody Agent shall not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by the Fund and/or any other person as a result of the proper performance of the Custody Agent's services by the Custody Agent save where such loss, liability, claim, expense or damage is suffered or incurred as a result of any negligence, wilful misconduct or default of the Custody Agent or as a result of a breach by the Custody Agent of the terms and provisions of this Agreement or the other Transaction Documents in relation to such functions.

## 4. **ADMINISTRATION OF MORTGAGES**

### 4.1 **Direct Debiting Scheme**

- (a) For the purposes of collecting amounts due from Borrowers under the Loans and their Related Security comprised in the Portfolio the Servicer will unless otherwise agreed in writing with the Fund and the Representative:
  - (i) act, or procure that another person approved by the Fund (such approval not to be unreasonably withheld) acts as collection agent for the Fund under the Direct Debiting Scheme and remains a member of the Direct Debiting Scheme or any scheme which replaces the Direct Debiting Scheme;
  - (ii) subject to Clauses 4.1(b) and 4.1(c), deliver to the appropriate Account Bank at which the GIC Account is maintained such instructions as may be necessary from time to time for the debit of the account of each Borrower in respect of which there is a direct debit mandate (the date of such delivery being the **D.D. Date**) with the Monthly Payment due from such Debtor, and for the amount of such Monthly Payment to be credited to the relevant GIC Account, on the D.D. Date or, if such day is not a Business Day, the following Business Day;
  - (iii) subject to Clauses 4.1(b) and 4.1(c), deliver to the appropriate Account Bank at which the GIC Account is maintained not later than ten Business Days before the next succeeding Monthly Payment Day after the D.D. Date, instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate and the Monthly Payment due and owing from such Borrower on the last D.D. Date remains outstanding to the extent that, on the date of presentation of such instructions, such Monthly Payment has not been received in full by the Servicer on behalf of the Fund. Any such amount shall be credited to the GIC Account;
  - (iv) subject to Clauses 4.1(b) and 4.1(c), deliver to the appropriate Account Bank such other instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate in accordance with the Direct Debiting Scheme as may be appropriate for the recovery of sums due by such Borrower;
  - (v) comply in all material respects with the requirements from time to time of the Direct Debiting Scheme and Rules to the Direct Debiting Scheme as amended from time to time; and

- (vi) take all such other steps as are reasonably appropriate to ensure that all monies received from Borrowers during banking hours on any particular day are credited on that day to the GIC Account.
- (b) The Servicer may agree with a Borrower that the Direct Debiting Scheme shall not apply to Monthly Payments to be made by such Borrower, provided, subject to Clause 4.1(d), that: (i) alternative payment arrangements are made which are intended to ensure timely payment of Monthly Payments due from the Borrower to the Fund; and (ii) the change in arrangements was made at the instigation of the Borrower or by the Servicer in accordance with the procedures which would be adopted by a Reasonable, Prudent Mortgage Lender.
- (c) The Servicer may, notwithstanding the proviso to Clause 4.1(b), agree such procedures for the payment by a Borrower of: (i) overdue amounts; and (ii) amounts payable on redemption of a Loan or a Mortgage in whole or in part other than through the Direct Debiting Scheme as would be agreed by a Reasonable, Prudent Mortgage Lender.
- (d) Where a Borrower permits a direct debit to be made to his bank account, the Servicer will endeavour to procure that such Borrower maintains a valid and effective mandate relating to such direct debit in relation to each Monthly Payment due from that Borrower, provided that in any case where a Borrower will not permit a direct debit to be made to his bank account the Servicer will endeavour to make alternative arrangements acceptable to a Reasonable, Prudent Mortgage Lender so that such Borrower nevertheless pays each Monthly Payment on the due date.
- (e) If at any time the Servicer shall receive notice whether under the Direct Debiting Scheme or otherwise that any amount (or part thereof) which was paid in or credited pursuant to Clause 4.1 and which has been transferred to the GIC Account has not been received as cleared funds or has otherwise been recalled, the Servicer shall notify the Cash Manager and instruct the Cash Manager forthwith to debit the GIC Account and credit the relevant collection account for the whole or any part of such amount (such amount hereinafter referred to as the "shortfall") and an amount equal to any costs which are irrecoverable by the Servicer from the relevant Borrower and incurred by the Servicer as a result of such shortfall; provided that no debit from the GIC Account for the credit of the collection accounts in respect of any shortfall may be made on or after a Calculation Date in respect of the relevant period between that Calculation Date and the next Interest Payment Date unless sufficient funds are available after paying or making provision for the payment of amounts to be made on that Interest Payment Date. After the following Interest Payment Date, the Fund shall transfer or procure on its behalf the transfer from the GIC Account to the relevant collection account of an amount equal to such shortfall subject to it having sufficient funds available to it or the Servicer shall deduct an amount equal to such shortfall from payments otherwise due on a daily basis from the Seller to the Fund in respect of Revenue Receipts received under the Loans sold by the Seller to the Fund.

#### 4.2 Administration and Enforcement of Mortgages

- (a) The Fund hereby directs the Servicer to administer the Loans and their Related Security comprised in the Portfolio as if the Loans and their Related Security had not been sold to the Fund but remained with the Seller and carry out its specific obligations under this Agreement in accordance with this Agreement and the Seller's Policy.
- (b) The Servicer will, in relation to any default by a Borrower under or in connection with a Loan or a Mortgage comprised in the Portfolio, comply with the Enforcement Procedures or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, with the procedures that would be undertaken by a Reasonable, Prudent Mortgage Lender on behalf of the Fund provided that:

- (i) the Servicer shall only become obliged to comply with the Enforcement Procedures (to the extent applicable) or to take action as aforesaid after it has become aware of the default; and
- (ii) it is acknowledged by the Fund and the Representative that mortgage lenders generally exercise discretion in pursuing their respective enforcement procedures and that the Servicer may exercise such discretion as would a Reasonable, Prudent Mortgage Lender in applying the Enforcement Procedures to any particular defaulting Borrower or taking action as aforesaid, provided that in exercising such discretion the interest of the Fund is not materially prejudiced.

#### 4.3 **Records**

The Servicer shall keep and maintain records in relation to the Loans and their Related Security comprised in the Portfolio, on a Loan by Loan basis, for the purposes of identifying amounts paid by each Borrower, any amount due from a Borrower and the Outstanding Principal Balance of each Loan and such other records as would be kept by a Reasonable, Prudent Mortgage Lender. The Servicer will provide such information to the Fund and/or the Representative or to their order at any time upon reasonable notice subject to the Servicer being reasonably capable of providing such information without significant additional cost subject to applicable legislation from time to time and provided that no duty of confidence and no industry code of practice will or may be breached thereby.

#### 4.4 **Agent**

- (a) If the Servicer in carrying out its functions as Servicer under this Agreement receives (including in its capacity as agent for the Fund) any money whatsoever arising from the Loans and their Related Security comprised in the Portfolio, which money belongs to the Fund and is to be paid to the GIC Account pursuant to this Agreement or any of the other Transaction Documents or otherwise, it will hold such moneys as agent for the Fund and shall keep such money separate from all other monies held by the Servicer and shall, as soon as reasonably practicable and in any event within three Business Days of receipt of the same, pay the monies into the GIC Account.
- (b) All other sums received by the Servicer in respect of the Mortgages comprised in the Portfolio shall be held by the Servicer for itself.

#### 5. **NO LIABILITY**

- 5.1 The Servicer shall have no liability for any obligation of a Borrower under any Loan comprised in the Portfolio or any Related Security and nothing herein shall constitute a guarantee, indemnity or similar obligation, by or of the Servicer of or in relation to any Loan, any Related Security or any Borrower.
- 5.2 Save as otherwise provided in this Agreement, the Servicer shall have no liability for the obligations of the Fund under any of the Transaction Documents or otherwise and nothing herein shall constitute a guarantee, indemnity or similar obligation, by the Servicer of the Fund in respect of any of those obligations.

#### 6. **NEW MORTGAGES**

- 6.1 The Portfolio may be augmented from time to time by the sale to the Fund on any Assignment Date of New Mortgages by the Seller in accordance with the Mortgage Sale Agreement.
- 6.2 The sale by the Seller of New Mortgages to the Fund will in all cases be subject to the terms set out in the Mortgage Sale Agreement including, without limitation, the conditions set out in Clause 4 of the Mortgage Sale Agreement and the Representations and Warranties made by the Seller pursuant to Clause 7 of the Mortgage Sale Agreement.

7. **REDEMPTION OF MORTGAGES**

- 7.1 Upon repayment in full of all sums due in relation to the Loans comprised in the Portfolio secured by a Mortgage, the Servicer shall, and is hereby authorised by the Fund and the Representative to, execute a receipt or discharge of the Mortgage and any such other or further instrument or document regarding such Mortgage and/or the other Related Security as it considers to be necessary or advisable, and to release the relevant Mortgage Document to the person or persons entitled thereto.
- 7.2 The Servicer undertakes that prior to any actual release by it of the relevant Mortgage Document it will take reasonable and appropriate steps, acting as a Reasonable, Prudent Mortgage Lender, to satisfy itself that the relevant Mortgage Document is being released to the person or persons entitled thereto.
- 7.3 The Servicer shall procure that if, upon completion of the Enforcement Procedures in relation to a Loan and its Related Security in the Portfolio, an amount in excess of all sums due by the relevant Borrower is recovered or received, the balance, after discharge of all sums due by the relevant Borrower, is paid to the person or persons next entitled thereto.

8. **POWERS OF ATTORNEY**

- 8.1 For good and valuable consideration and as security for the interests of the Fund hereunder, the Fund hereby appoints the Servicer as its attorney on its behalf, and in its own or the attorney's name, for the following purposes:
- (a) executing all documents necessary for the purpose of discharging a Mortgage and/or any other Related Security in relation to a Loan comprised in the Portfolio which has been repaid in full and any other Related Security or for the sale of a Property which is subject to a Mortgage;
  - (b) executing all documents necessary for the purpose of releasing a Mortgage in accordance with Clause 7;
  - (c) executing all documents and doing all such acts and things which in the reasonable opinion of the Servicer are necessary or desirable for the efficient provision of the Services hereunder; and
  - (d) exercising its rights, powers and discretion under the Mortgages and/or any other Related Security relating to Loans comprised in the Portfolio,

provided that, for the avoidance of doubt, this power of attorney shall not authorise the Servicer to sell any of the Loans and/or their Related Security comprised in the Portfolio except as specifically authorised in the Transaction Documents. For the avoidance of doubt, the Fund shall not be liable or responsible for the acts of the Servicer or any failure by the Servicer to act under or in respect of this power of attorney.

- 8.2 The appointment contained in Clause 8.1 shall be irrevocable unless and until the termination of the appointment of the Servicer pursuant to Clause 17 of this Agreement upon which the appointments contained in Clause 8.1 shall be automatically revoked.

9. **COSTS AND EXPENSES**

The Fund will on each Fund Payment Date reimburse, in accordance with Clauses 11.4 and 13.4 of the Fund Deed, each of the Servicer and the Custody Agent for all reasonable out-of-pocket costs, expenses and charges (together with any amounts in respect of applicable taxes in relation thereto) properly incurred by the Servicer or the Custody Agent, as the case may be in the performance of the Services and the Custody Agent Services, respectively, including any such reasonable costs, expenses or charges not reimbursed to the Servicer or the Custody Agent, as the case may be on any previous Fund Payment Date and the Servicer or the Custody Agent, as the case may be shall supply the Fund with an appropriate tax invoice issued by the person making the supply.

## 10. INFORMATION

### 10.1 Maintenance of Records

The Servicer shall keep the Customer Files relating to the Loans comprised in the Portfolio in safe custody and shall take appropriate technical and organisational measures against the unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data. The Servicer shall maintain in an adequate form such records as are necessary to enforce each Mortgage comprised in the Portfolio and, where relevant, any other Related Security. The Servicer shall keep Customer Files in relation to the Portfolio in such a way that they can be distinguished from information held by the Servicer for its own behalf as mortgagee or for other third persons.

### 10.2 Access to Books and Records

Subject to all applicable laws, the Servicer shall permit the Fund (and its auditors) and the Representative and any other person nominated by the Fund (to whom the Servicer has no reasonable objection) upon reasonable notice during normal office hours to have access, or procure that such person or persons are granted access, to the Customer Files, all books of record and account relating to the administration of the Loans and their Related Security comprised in the Portfolio and related matters in accordance with this Agreement.

### 10.3 Information Covenants

- (a) The Servicer shall provide the Fund and the Representative monthly with a report in, or substantially in, the form set out in Schedule 2 and shall assist the Cash Manager in the production of the Monthly Asset Coverage Reports substantially in the form set out in Schedule 3 of the Cash Management Agreement.
- (b) The Servicer shall, upon request, provide the Fund and the Representative monthly with a report 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) containing information regarding the Loans then comprised in the Portfolio including, but not limited to, details of the relevant account number, the relevant Borrower's name, the title number and the postcode of the relevant Property and the completion date of the relevant Mortgage.
- (c) The Servicer shall, at the request of the Fund and the Representative, furnish the Fund and the Representative with such other information relating to its business and financial condition and (to the extent that it has such information and subject to any confidentiality restrictions binding upon it) that of any person to whom it has subcontracted or delegated part of its obligations hereunder as it may be reasonable for the Fund and the Representative (as appropriate) to request in connection with the matters contemplated by the Programme, provided that the Fund or the Representative (as appropriate) shall not make such a request more than once every three months unless, in the belief of the Fund or the Representative (as appropriate), an Issuer Event of Default or a Servicer Termination Event (as defined in Clause 17.1) shall have occurred and is continuing or may reasonably be expected to occur.
- (d) Subject to any applicable law or contrary instruction from the Fund, the Servicer shall furnish to each beneficial owner of any Covered Bonds issued under the Programme (an **Investor**) monthly reports on the Portfolio in, or substantially in, the form of Schedule 2 (the **Monthly Reports**). The Servicer, upon request by an Investor, shall also furnish previous Monthly Reports to such Investor.
- (e) Subject to any applicable law or contrary instruction from both (and, for the avoidance of doubt, not only one) the Fund and the Representative, the Servicer will make reasonable

efforts to make available to Investors Monthly Reports (including previous Monthly Reports) in an electronic format acceptable to the Representative such as "Bloomberg".

## 11. REMUNERATION

11.1 The Fund shall pay to the Servicer for its Services hereunder an administration fee (the **Administration Fee**) (inclusive of applicable taxes) which:

(a) shall be calculated in relation to each Calculation Period on the basis of the aggregate of:

(i) the number of days elapsed in that Calculation Period and a 365 day year (or, in the case of a Calculation Period ending in a leap year, a 366 day year) at the rate of 0.01 per cent. per annum (inclusive of applicable taxes) on the aggregate amount of the Loans in the Portfolio as at close of business on the preceding Calculation Payment Date (or, as applicable, the First Assignment Date); and

(ii) fees paid by Borrowers during that Calculation Period, in accordance with the Mortgage Conditions, in respect of the administration of their Loan; and

(b) shall be paid to the Servicer in arrear on each Fund Payment Date in the manner contemplated by and in accordance with the provisions of Clauses 11.4 and 13.4 of the Fund Deed.

11.2 The Fund shall pay, on each Fund Payment Date, to the Custody Agent in the respect of the performance of Custody Agent Services a fee as agreed upon in writing from time to time by the Custody Agent and the Fund provided that any such fee has been previously agreed by the Representative.

## 12. MORTGAGE DOCUMENTS

12.1 The Servicer shall keep the Mortgage Documents relating to the Loans and their Related Security comprised in the Portfolio in safe custody and shall not without the prior written consent of the Fund and the Representative part with possession, custody or control of them otherwise than to a subcontractor or delegate appointed pursuant to Clause 3.2 or to a lawyer, licensed conveyancer, qualified conveyancer or authorised practitioner or pursuant to any law or order of any court, or pursuant to any direction, request or requirement (whether or not having the force of law) of any central bank or any governmental or other regulatory or taxation authority, subject to the usual undertaking to hold them to the order of the Seller (who in turn will hold them to the order of the Representative) or to the District Commissioner or, upon redemption of the relevant Loan, to the order of the Borrower.

12.2 The Mortgage Documents relating to the Loans and their Related Security comprised in the Portfolio shall be kept in such a manner so that a computer record is maintained of their location and they are identifiable and retrievable by reference to an account number and pool identifier and identifiable and distinguishable from the mortgage documents relating to other properties and mortgages in respect of which the Servicer is mortgagee or chargee or servicer.

12.3 The Servicer shall provide access or procure that access is provided to the Mortgage Documents relating to the Loans and their Related Security comprised in the Portfolio to the Fund, the Representative and their respective agents at all reasonable times and upon reasonable notice. The Servicer acknowledges that the Customer Files relating to the Loans and their Related Security comprised in the Portfolio in its possession, custody or control will be held to the order of the Representative and that it has, in its capacity as Servicer, no beneficial interest therein and the Servicer irrevocably waives any rights or any Security Interest which it might have therein or to which it might at any time be entitled.

12.4 The Servicer shall, forthwith on the termination of the appointment of the Servicer pursuant to Clause 17 of this Agreement, deliver the Customer Files relating to the Loans and their Related Security comprised in the Portfolio to or to the order of the Representative or to such person as the

Representative elects as a substitute servicer in accordance with the terms of this Agreement upon written request by the Fund or the Representative made at any time on or after notice of, or on or after, termination of the appointment of the Servicer pursuant to Clause 17 of this Agreement.

**13. DATA PROTECTION**

13.1 Each of the Servicer and the Fund represents that as at the date hereof it has obtained, and that hereafter it will maintain, all appropriate registrations, licences and authorities (if any) required under the relevant data protection legislation in Iceland to enable it to perform its obligations under this Agreement. In addition to the foregoing and notwithstanding any of the other provisions of this Agreement, each of the Servicer and the Fund hereby agree and covenant that the Servicer and the Fund will only use any data in relation to the Loans and their Related Security comprised in the Portfolio and the related Borrowers for the purposes of administering and/or managing those Mortgages in the Portfolio, and will not sell such data to any third party or allow any third party to use such data other than in compliance with the relevant data protection legislation in Iceland and other relevant acts and rules, the conditions stated in this Clause 13 and for the sole purpose of administering and/or managing those Loans and their Related Security in the Portfolio.

13.2 The Servicer will use all reasonable endeavours to ensure that, in the event of the appointment of a subcontractor in accordance with Clause 3.2, such subcontractor shall obtain and maintain all appropriate registrations, licences and authorities, and comply with obligations equivalent to those imposed on the Servicer in this Clause 13, to enable it to perform its obligations.

**14. COVENANTS OF SERVICER**

14.1 The Servicer hereby covenants with and undertakes to each of the Fund and the Representative that without prejudice to any of its specific obligations hereunder it will:

- (a) administer the Loans and their Related Security comprised in the Portfolio as if the same had not been sold to the Fund but had remained with the Seller;
- (b) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;
- (c) comply with any proper directions, orders and instructions which the Fund may from time to time give to it in accordance with the provisions of this Agreement;
- (d) keep in force all licences, approvals, authorisations and consents which may be necessary in connection with the performance of the Services;
- (e) not knowingly fail to comply with any legal requirements in the performance of the Services;
- (f) make all payments required to be made by it pursuant to this Agreement on the due date for payment thereof in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim;
- (g) not without the prior written consent of the Representative amend or terminate any of the Transaction Documents save in accordance with their terms; and
- (h) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan pursuant to the Mortgage Sale Agreement, notify the Fund in writing of such event.

14.2 The covenants of the Servicer in Clause 14.1 shall remain in force until this Agreement is terminated but without prejudice to any right or remedy of the Fund, the Representative and/or the Seller arising from breach of any such covenant prior to the date of termination of this Agreement.

15. **COVENANTS, REPRESENTATIONS AND WARRANTIES OF THE CUSTODY AGENT**

15.1 The Custody Agent hereby covenants with and undertakes to each of the Fund and the Representative that without prejudice to any of its specific obligations hereunder it will:

- (a) it shall hold and shall require that any subcontractors or delegates appointed pursuant to Clause 3.3 and any Central Securities Depository shall hold the unit shares or any other property of the Fund held by it in such a way that the unit shares issued by the Fund will not be available to its creditors in the event of an attachment, a bankruptcy or any situation similar thereto;
- (b) it shall not cause or permit unit shares issued by the Fund or any other property of the Fund held by it to become subject to any right, charge, security interest, lien or other claim of any kind in favour of itself, any subcontractor or delegate appointed pursuant to Clause 3.3 or any Central Securities Depository through or in which any unit shares issued by the Fund or any other property of the Fund held by it is held or any creditor of any of them;
- (c) it shall not lend any unit shares issued by the Fund or any other property of the Fund held by it to third parties;
- (d) it shall notify the Fund if any of the representations given in Clause 15.3 are no longer true and correct;
- (e) it shall supply periodic reports with respect to the unit shares issued by the Fund or any other property of the Fund held by it;
- (f) it shall notify the Fund forthwith upon discovery of any loss of any property of the Fund held by it due to fraud or dishonesty of its agents or employees, and shall provide the description of such incident with sufficient specificity to enable a claim for reimbursement of such loss to be filed under any governing surety bond or insurance policy;
- (g) it shall notify the Fund forthwith in the event that an attempt is made by a third party to assert any claim over any property of the Fund held by it, so that the Fund will be able to take appropriate action to protect the property from such claim;
- (h) it shall inform the Fund promptly of any actual or proposed changes in local laws, regulations and market practices that (could) affect the services provided by the Custody Agent under this Agreement and shall provide the Fund with all other information which a prudent and professional custody agent would consider to be relevant for the interest of the Fund in respect of or in connection with the property of the Fund held by it;
- (i) its books and records relating to the property of the Fund held by it shall be open to inspection and audit at reasonable times (the Custody Agent requires one weeks notice prior to inspection and audit) by officers of, auditors employed by or other representations of the Fund; and
- (j) it shall maintain at all times during the effectiveness of this Agreement adequate policies of insurance with recognised insurance companies against the risk of loss, damage or fraud of its employees and shall provide the Fund with information on the coverage of such insurance.

15.2 The covenants of the Custody Agent in Clause 15.1 shall remain in force until this Agreement is terminated but without prejudice to any right or remedy of the Fund, the Representative and/or the Seller owing from breach of any such covenant prior to the date of termination of this Agreement.

15.3 The Custody Agent represents and warrants to the Fund and the Representative as at the date hereof that:

- (a) it is a financial institution incorporated and organised under the laws of Iceland which is regulated as such by the Financial Supervisory Authority of Iceland;
- (b) it has the requisite financial strength to provide reasonable care in relation to any unit shares issued by, and any other property of, the Fund held by it;
- (c) contingency plans are in place and rehearsed periodically by it to ensure work will not be disrupted for lengthy periods of time and that alternative power resources and back-up sites shall be available; and
- (d) adequate protection against unauthorised access to data and data processing areas is provided for.

16. **SERVICES NON-EXCLUSIVE**

Nothing in this Agreement shall prevent the Servicer or the Custody Agent from rendering or performing services similar to those provided for in this Agreement to or for itself or other persons, firms or companies or from carrying on business similar to or in competition with the business of the Fund.

17. **TERMINATION OF SERVICER**

17.1 If any of the following events (each, a **Servicer Termination Event** and, in relation to the events referred to in Clauses 17.1(a) to 17.2(c), a **Servicer Event of Default**) shall occur:

- (a) default is made by the Servicer in the payment on the due date of any amount due and payable by it under this Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Servicer becoming aware of such default or receipt by the Servicer of written notice from the Representative or the Fund requiring the default to be remedied;
- (b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under this Agreement which, in the reasonable opinion of the Representative, is materially prejudicial to the interests of the Covered Bondholders, and such default continues unremedied for a period of five Business Days after the earlier of the Servicer becoming aware of such default or receipt by the Servicer of written notice from the Fund and the Representative requiring the default to be remedied, provided however that where the relevant default occurs as a result of a default by any person to whom the Servicer has subcontracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of five Business Days of receipt of such notice from the Fund and the Representative, the Servicer terminates the relevant subcontracting or delegation arrangements and takes such steps as the Fund and the Representative may specify to remedy such default or to indemnify the Fund against the consequences of such default;
- (c) an Insolvency Event occurs in relation to the Servicer;
- (d) neither the Servicer nor a directly or indirectly wholly-owned subsidiary of the Servicer is servicing the Portfolio pursuant to this Agreement; or
- (e) the Servicer has not terminated the subcontracting and delegation within five Business Days if required by Clause 17.6,

then the Fund and the Representative may at once or at any time thereafter while such default continues by notice in writing to the Servicer terminate its appointment as Servicer under this Agreement with effect from a date (not earlier than the date of the notice) specified in the notice. Upon termination of

the Servicer as servicer under this Agreement, the Representative shall use reasonable endeavours to appoint a Servicer that satisfies the conditions set forth in Clauses 17.2(c) and (d).

- 17.2 The appointment of the Servicer under this Agreement may be terminated by the Servicer upon the expiry of not less than six months' notice of termination given by the Servicer to the Representative and the Fund provided that:
- (a) the Fund and the Representative consent in writing to such termination;
  - (b) a New Servicer shall be appointed, with the consent in writing of the Representative such appointment to be effective not later than the date of such termination;
  - (c) such New Servicer has experience of administering residential mortgages in Iceland and is approved by the Fund; and
  - (d) such New Servicer enters into an agreement substantially on the same terms as the relevant provisions of this Agreement with the Fund, the Seller, the Representative and the Custody Agent and the Servicer shall not be released from its obligations under the relevant provisions of this Agreement until such New Servicer has entered into such new agreement.
- 17.3 On and after termination of the appointment of the Servicer under this Agreement pursuant to this Clause 17, all authority and power of the Servicer under this Agreement shall be terminated and be of no further effect and the Servicer shall not thereafter hold itself out in any way as the agent of the Fund pursuant to this Agreement.
- 17.4 Upon termination of the appointment of the Servicer under this Agreement pursuant to this Clause 17, the Servicer shall:
- (a) forthwith deliver (and in the meantime hold as agent for, and to the order of, the Representative) to the Fund or as it shall direct the Customer Files, all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the Fund and the Loans comprised in the Portfolio and any other Related Security, (if practicable, on the date of receipt by the Servicer) any monies then held by the Servicer on behalf of the Fund and any other assets of the Fund;
  - (b) take such further action as the Fund and the Representative may reasonably direct at the expense of the Fund (including in relation to the appointment of a substitute servicer) provided that the Representative shall not be required to take or direct to be taken such further action unless it has been indemnified to its satisfaction;
  - (c) provide all relevant information contained on computer records in the form of magnetic tape, CD-ROMs and/or other form of electronic media, as appropriate, together with details of the layout of the files encoded on such magnetic tapes, CD-ROMs and/or other form of electronic media, as appropriate, (or such other format as the parties may agree); and
  - (d) co-operate and consult with and assist the Fund, the Representative and their nominees (which shall, for the avoidance of doubt, include any new servicer appointed by any of them) for the purposes of explaining the file layouts and the format of the magnetic tapes, CD-ROMs and/or other form of electronic media, as appropriate, generally containing such computer records on the computer system of the Fund or such nominee.
- 17.5 The Servicer shall deliver to the Fund and the Representative as soon as reasonably practicable but in any event within five days of becoming aware thereof a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same.
- 17.6 If an Insolvency Event occurs in relation to any person to whom the Servicer has subcontracted or delegated part of its obligations hereunder, the Servicer shall notify the Representative and the Servicer

shall within five Business Days of such an event occurring, terminate the relevant subcontracting or delegation arrangements.

- 17.7 Termination of this Agreement or the appointment of the Servicer under this Agreement shall be without prejudice to the liabilities of the Fund to the Servicer or vice versa incurred before the date of such termination. The Servicer shall have no right of set-off or any lien in respect of such amounts against amounts held by it on behalf of the Fund.
- 17.8 This Agreement shall terminate at such time as the Fund has no further interest in any of the Loans or their Related Security that have been comprised in the Portfolio.
- 17.9 On termination of the appointment of the Servicer under the provisions of this Clause 17, the Servicer shall be entitled to receive all fees and other monies accrued up to the date of termination but shall not be entitled to any other or further compensation. Such monies so receivable by the Servicer shall be paid by the Fund in accordance with the provisions of the Fund Deed on the dates on which they would otherwise have fallen due hereunder. For the avoidance of doubt, such termination shall not affect the Servicer's rights to receive payment of all amounts (if any) due to it from the Fund other than under this Agreement.
- 17.10 Prior to termination of this Agreement, the Servicer, the Seller, the Representative and the Fund shall co-operate to obtain the agreement of the Borrowers to a new bank mandate permitting the Fund to operate the Direct Debiting Scheme with respect to the Loans in the Portfolio.
- 17.11 Any provision of this Agreement which is stated to continue after termination of the Agreement shall remain in full force and effect notwithstanding termination.

## 18. **TERMINATION OF CUSTODY AGENT**

- 18.1 If any of the following events (each, a **Custody Agent Termination Event** and, in relation to the events referred to in Clauses 17.1(a) to 17.2(c), a **Custody Agent Event of Default**) shall occur:
- (a) default is made by the Custody Agent in the payment on the due date of any amount due and payable by it under this Agreement and such default continues unremedied for a period of three Business Days after the earlier of the Custody Agent becoming aware of such default or receipt by the Custody Agent of written notice from the Representative or the Fund requiring the default to be remedied;
  - (b) default is made by the Custody Agent in the performance or observance of any of its other covenants and obligations under this Agreement which, in the reasonable opinion of the Representative, is materially prejudicial to the interests of the Covered Bondholders, and such default continues unremedied for a period of five Business Days after the earlier of the Custody Agent becoming aware of such default or receipt by the Custody Agent of written notice from the Fund and the Representative requiring the default to be remedied, provided however that where the relevant default occurs as a result of a default by any person to whom the Custody Agent has subcontracted or delegated part of its obligations hereunder, such default shall not constitute a Custody Agent Termination Event if, within such period of five Business Days of receipt of such notice from the Fund and the Representative, the Custody Agent terminates the relevant subcontracting or delegation arrangements and takes such steps as the Fund and the Representative may specify to remedy such default or to indemnify the Fund against the consequences of such default;
  - (c) an Insolvency Event occurs in relation to the Custody Agent; or
  - (d) the Custody Agent has not terminated the subcontracting and delegation within five Business Days if required by Clause 17.6,

then the Fund and the Representative may at once or at any time thereafter while such default continues by notice in writing to the Custody Agent terminate its appointment as Custody Agent under this Agreement with effect from a date (not earlier than the date of the notice) specified in the notice. Upon termination of the Custody Agent as Custody Agent under this Agreement, the Representative shall use reasonable endeavours to appoint a Custody Agent that satisfies the conditions set forth in Clauses 17.2(c) and (d).

- 18.2 The appointment of the Custody Agent under this Agreement may be terminated by the Custody Agent upon the expiry of not less than six months' notice of termination given by the Custody Agent to the Representative and the Fund provided that:
- (a) the Fund and the Representative consent in writing to such termination;
  - (b) a New Custody Agent shall be appointed, with the consent in writing of the Representative such appointment to be effective not later than the date of such termination;
  - (c) such New Custody Agent satisfies the criteria set out in the Act and in this Agreement in respect of a Custody Agent and is approved by the Fund; and
  - (d) such New Custody Agent enters into an agreement substantially on the same terms as the relevant provisions of this Agreement with the Fund, the Seller, the Representative and the Custody Agent and the Servicer shall not be released from its obligations under the relevant provisions of this Agreement until such New Custody Agent has entered into such new agreement.
- 18.3 On and after termination of the appointment of the Custody Agent under this Agreement pursuant to this Clause 17, all authority and power of the Custody Agent under this Agreement shall be terminated and be of no further effect and the Custody Agent shall not thereafter hold itself out in any way as the agent of the Fund pursuant to this Agreement.
- 18.4 Upon termination of the appointment of the Custody Agent under this Agreement pursuant to this Clause 17, the Custody Agent shall:
- (a) forthwith deliver (and in the meantime hold as agent for, and to the order of, the Representative) to the Fund or as it shall direct the unit shares issued by the Fund and all other property of the Fund held by it; and
  - (b) take such further action as the Fund and the Representative may reasonably direct at the expense of the Fund (including in relation to the appointment of a substitute custody agent) provided that the Representative shall not be required to take or direct to be taken such further action unless it has been indemnified to its satisfaction.
- 18.5 The Custody Agent shall deliver to the Fund and the Representative as soon as reasonably practicable but in any event within five days of becoming aware thereof a notice of any Custody Agent Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same.
- 18.6 If an Insolvency Event occurs in relation to any person to whom the Custody Agent has subcontracted or delegated part of its obligations hereunder, the Custody Agent shall notify the Representative and the Custody Agent shall within five Business Days of such an event occurring, terminate the relevant subcontracting or delegation arrangements.
- 18.7 Termination of this Agreement or the appointment of the Custody Agent under this Agreement shall be without prejudice to the liabilities of the Fund to the Custody Agent or vice versa incurred before the date of such termination. The Servicer shall have no right of set-off or any lien in respect of such amounts against amounts held by it on behalf of the Fund.

18.8 On termination of the appointment of the Custody Agent under the provisions of this Clause 18, the Custody Agent shall be entitled to receive all fees and other monies accrued up to the date of termination but shall not be entitled to any other or further compensation. Such monies so receivable by the Custody Agent shall be paid by the Fund in accordance with the provisions of the Fund Deed on the dates on which they would otherwise have fallen due hereunder. For the avoidance of doubt, such termination shall not affect the Custody Agent's rights to receive payment of all amounts (if any) due to it from the Fund other than under this Agreement.

18.9 Any provision of this Agreement which is stated to continue after termination of the Agreement shall remain in full force and effect notwithstanding termination.

## 19. FURTHER ASSURANCE

19.1 The parties hereto agree that they will co-operate fully to do all such further acts and things and execute any further documents as may be necessary or desirable to give full effect to the arrangements contemplated by this Agreement.

19.2 Without prejudice to the generality of Clause 19.1, the Fund and the Representative shall upon request by the Servicer forthwith give to the Servicer such further powers of attorney or other written authorisations, mandates or instruments as are necessary to enable the Servicer to perform the Services.

19.3 Nothing herein contained shall impose any obligation or liability on the Fund to assume or perform any of the obligations of the Servicer and/or the Custody Agent hereunder or render it liable for any breach thereof.

## 20. CONFIDENTIALITY

During the continuance of this Agreement or after its termination, each of the Fund, the Servicer, the Seller, the Representative and the Custody Agent shall use its best endeavours not to disclose to any person, firm or company whatsoever any information relating to the business, finances or other matters of a confidential nature of any other party hereto of which it may exclusively by virtue of being party to the Transaction Documents have become possessed and shall use all reasonable endeavours to prevent any such disclosure as aforesaid, provided however that the provisions of this Clause 20 shall not apply:

- (a) to any information already known to the Fund or the Representative otherwise than as a result of entering into any of the Transaction Documents;
- (b) to any information subsequently received by the Fund or the Representative which it would otherwise be free to disclose;
- (c) to any information which is or becomes public knowledge otherwise than as a result of the conduct of the Fund or the Representative;
- (d) to any extent that the Fund or the Representative is required to disclose the same pursuant to any law or order of any court or pursuant to any direction, request or requirement (whether or not having the force of law) of any central bank or any governmental or other authority (including, without limitation, any official bank examiners or regulators);
- (e) to the extent that the Fund or the Representative needs to disclose the same for determining the existence of, or declaring, a Fund Event of Default, a Servicer Termination Event, a Custody Agent Event of Default or a Custody Agent Termination Event, the protection or enforcement of any of its rights under any of the Transaction Documents or in connection herewith or therewith or for the purpose of discharging, in such manner as it thinks fit, its duties under or in connection with such agreements in each case to such persons as are required to be informed of such information for such purposes; or

- (f) in relation to any information disclosed to the professional advisers of the Fund or the Representative or any prospective New Servicer.

## 21. NOTICES

21.1 Any notice to be given pursuant to this Agreement to any of the parties hereto shall be sufficiently served if sent:

- (a) in the case of the Servicer and 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;
- (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; and
- (d) in the case of the Custody Agent, to Verdis hf. formerly Arion Custody Services hf., at Armuli 13, 105 Reykjavik, Iceland (facsimile number: +(354) 528-2909 and email: rm@verdis.is) for the attention of Security Custody,

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. All notices served under this Agreement shall be simultaneously copied to the Representative by the person serving the same.

21.2 Notwithstanding Clause 21.1 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 21.2 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.

## 22. VARIATION AND WAIVER

No variation or 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.

23. **ASSIGNMENT**

- 23.1 The Representative may not assign or transfer any of its rights and obligations under this Agreement without the prior written consent of the Fund.
- 23.2 The Servicer may not assign or transfer any of its rights and obligations under this Agreement without the prior written consent of the Representative and the Fund.
- 23.3 The Custody Agent may not assign or transfer any of its rights and obligations under this Agreement without the prior written consent of the Representative and the Fund.

24. **CHANGE OF REPRESENTATIVE**

- 24.1 If there is any change in the identity of the Representative or an additional Representative is appointed, the remaining Representative and/or the retiring Representative, the Servicer, the Seller, the Fund and the Custody Agent 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 obligations of the outgoing Representative under this Agreement and releasing the outgoing Representative from its future obligations under this Agreement.
- 24.2 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 Servicer, the Seller, the Fund or the Custody Agent under this Agreement notwithstanding any provision herein 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.

25. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts (manually or be facsimile) and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument.

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

- 26.1 This Agreement is governed by, and shall be construed in accordance with, the laws of Iceland.
- 26.2 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**

### **THE SERVICES**

In addition to the Services set out in the body of this Agreement, the Servicer shall, in relation to the Loans and their Related Security in the Portfolio:

- (a) keep records and books of account on behalf of the Fund;
- (b) keep records for all taxation purposes;
- (c) notify relevant Borrowers of any change in their Monthly Payments;
- (d) assist the auditors of the Fund and provide information to them upon reasonable request;
- (e) provide a redemption statement upon the request of a Borrower or the Borrower's lawyer, licensed conveyancer or qualified conveyancer;
- (f) notify relevant Borrowers of any other matter or thing which the applicable Mortgage Conditions require them to be notified of in the manner and at the time required by such Mortgage Conditions;
- (g) subject to the provisions of this Agreement (including without limitation Clause 4.2) take all reasonable steps to recover all sums due to the Fund including without limitation by the institution of proceedings and/or the enforcement of any Mortgage comprised in the Portfolio using the discretion of a Reasonable, Prudent Mortgage Lender in applying the enforcement procedures forming part of the Seller's Policy;
- (h) take all other action and do all other things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in administering its Mortgages; and
- (i) act as collection agent for the Fund under the Direct Debiting Scheme in accordance with the provisions of this Agreement.

**SCHEDULE 2**

**FORM OF MONTHLY REPORT**

**COVERED BONDS FUND PERIODIC REPORT FOR PERIOD • to •**

**Mortgage Asset Analysis**

**Analysis of Mortgage Movements**

	<b>Current Period</b>		<b>Cumulative</b>	
	<b>Number</b>	<b>Value ISK 000's</b>	<b>Number</b>	<b>Value ISK 000's</b>
Brought Forward				
Replenishment				
Repurchased				
Redemptions				
Other Movements				
Carried Forward				

Annualised one month CPR	%	(including redemptions and repurchases)
Annualised three month CPR	%	
Annualised 12 month CPR	%	

**Asset Profiles**

Weighted Average Seasoning	months	* (see definition below)
Weighted Average Loan size		
Weighted Average LTV	%	
Weighted Average Remaining Term	years	

**Original LTV Bands**

<b>Range</b>	<b>Number</b>	<b>Balance</b>	<b>Percentage</b>
0.00 - 25.00			%
25.01 - 50.00			%
50.01 - 75.00			%
75.01 - 80.00			%
80.01 - 85.00			%
85.01 - 90.00			%
90.01 - 95.00			%
Total			100.00%

\*

The balance is the current outstanding balance on the account including accrued interest.

The LTV is that at origination and excludes any capitalised high loan to value fees, valuation fees or booking fees.

**Arrears**

**Band**

Current  
 1.00 - 1.99 months  
 2.00 - 2.99 months  
 3.00 - 3.99 months  
 4.00 - 4.99 months  
 5.00 - 5.99 months  
 6.00 - 11.99 months  
 12 months and over  
 Properties in Possession  
 Total

Number	Principal ISK 000's	Overdue ISK 000's	Percentage
			%
			%
			%
			%
			%
			%
			%
			%
			100.00%

Definition of Arrears

This arrears multiplier is calculated as the arrears amount (which is the difference between the expected monthly repayments and the amount that has actually been paid, i.e. a total of under and/or over payments) divided by the monthly amount repayable. It is recalculated every time the arrears amount changes, i.e. on the date when a payment is due.

**Excess Spread**

Current month  
 Rolling three month average

%
%

**Properties in Possession  
 Stock**

Brought Forward  
 Repossessed in Period  
 Sold in Period  
 Carried Forward

Current Period	
Number	Value ISK 000's

Cumulative	
Number	Value ISK 000's

**Repossession in Sales Information**

Average time Possession to Sale  
 Average time Possession to Sale

days

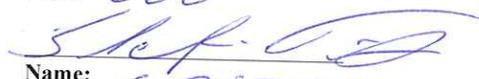
SIGNATORIES

The Servicer and the Seller

ARION BANK HE

By:

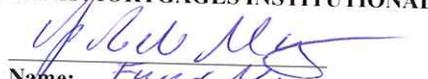
  
Name: H. H. ORVASCHEL  
Title: CEO

  
Name: S. PETERSON  
Title: CFO

The Fund

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

By:

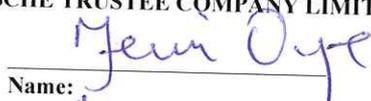
  
Name: Fund Manager  
Title:

  
Name:  
Title:

The Representative

DEUTSCHE TRUSTEE COMPANY LIMITED

By:

  
Name:  
Title: Associate Director

\_\_\_\_\_  
Name:  
Title: Associate Director

**SIGNATORIES**

**The Servicer and 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: \_\_\_\_\_

**Name:**

**Title:** Associate Director

\_\_\_\_\_  
**Name:**

**Title:** Associate Director

**The Custody Agent**

**VERDIS HF.**  
**formerly ARION CUSTODY SERVICES HF.**

By: *Quinn Bondal CEO*  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title: