

HOUSING FINANCING FUND

as Issuer

ISLANDSBANKI HF

As Fiscal Agent and Principal Paying Agent

ISK 121,756,093,423 3.75 PER CENT. NOTES DUE 15 FEBRUARY 2024

ISK 105,893,953,621 3.75 PER CENT. NOTES DUE 15 APRIL 2034

ISK 110,686,736,179 3.75 PER CENT. NOTES DUE 15 JUNE 2044

FISCAL AGENCY AGREEMENT

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THIS FISCAL AGENCY AGREEMENT, dated as of 7 July 2004

BETWEEN

- (1) **HOUSING FINANCING FUND**, organised under the laws of the Republic of Iceland (the "**Issuer**"); and
- (2) **ISLANDSBANKI HF**, as Fiscal Agent and Principal Paying Agent.

1. GENERAL

Pursuant to a Dealer Managers Agreement dated as of 21 June 2004 (the "**Dealer Managers Agreement**") between the Issuer, Deutsche Bank AG London and the other dealer managers named therein (the "**Dealer Managers**"), the Issuer has agreed to issue ISK 121,756,093,423 principal amount of its 3.75 per cent. Notes due 15 February 2024, (the "**New Series 1 Notes**"), ISK 105,893,953,621 principal amount of 3.75 per cent. Notes due 15 April 2034 (the "**New Series 2 Notes**") and ISK 110,686,736,179 principal amount of 3.75 per cent. Notes due 15 June 2044 (the "**New Series 3 Notes**" and, together with the New Series 1 Notes and the New Series 2 Notes the "**Notes**"). The Notes shall be issued in bearer form in the denomination of ISK 1 substantially in the form set forth in the relevant Exhibit hereto, with principal receipts ("**Receipts**") and interest coupons substantially in the form of Exhibit E hereto attached to any definitive Notes that may be issued in certain limited circumstances (the "**Coupons**") and talons for further Receipts and Coupons ("**Talons**"). All Notes shall be governed by the terms of this Agreement, including the Terms and Conditions (the "**Conditions**"), substantially as set forth in Exhibit A hereto. The Notes shall be dated 7 July 2004.

2. APPOINTMENT OF AGENTS

- 2.1 The Issuer hereby appoints Islandsbanki HF, acting through its office at Reykjavík as the fiscal agent in respect of the Notes, upon the terms and subject to the conditions set forth herein. Islandsbanki HF, and its successor or successors as such fiscal agent qualified and appointed in accordance with Clause 8 hereof, are herein called the "**Fiscal Agent**." The Fiscal Agent shall have the powers and authority granted to and conferred upon it herein and in the Notes, and such further powers and authority, acceptable to it, to act on behalf of the Issuer as the Issuer may hereafter grant to or confer upon it.
- 2.2 In addition, the Issuer hereby appoints Islandsbanki HF, acting through its office at Reykjavík, as principal paying agent in respect of the Notes, upon the terms and subject to the conditions set forth herein. Islandsbanki HF, and its successor or successors as such principal paying agent qualified and appointed in accordance with Clause 8 hereof, are herein called the "**Principal Paying Agent**." The Principal Paying Agent shall have the powers and authority granted to and conferred upon it herein and in the Notes, and such further powers and authority, acceptable to it, to act on behalf of the Issuer as the Issuer may hereafter grant to or confer upon it.

- 2.3 The Principal Paying Agent appointed pursuant to Clause 2.2 above and its successor or successors qualified and appointed in accordance with Clause 8 hereof, and any additional paying agents appointed from time to time by the Issuer as provided herein and in the Notes, are herein called "**Paying Agents**". The Fiscal Agent and the Paying Agents are sometimes herein referred to individually as an "**Agent**" and, collectively, as the "**Agents**."

The initial office addresses (the "**Specified Offices**") of the initial Agents appointed pursuant to Clauses 2.1 and 2.2 above are set forth in Clause 13 hereof. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor Fiscal Agent and additional or successor Paying Agents; **provided, however, that** (i) the Issuer shall at all times maintain a Paying Agent in Iceland and a fiscal agent and (ii) all Paying Agents shall be outside the United States. Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

3. **DELIVERY OF NOTES**

- 3.1 Upon the execution and delivery of this Agreement, or from time to time thereafter in accordance with this Agreement, New Series 1 Notes in an aggregate principal amount of ISK 121,756,093,423, New Series 2 Notes in an aggregate principal amount of ISK 105,893,953,621 and New Series 3 Notes in an aggregate principal amount of ISK 110,686,736,179 (except as otherwise provided in Condition 16 (*Further Issues*)) may be executed by the Issuer and delivered to the Fiscal Agent for authentication. The Fiscal Agent shall authenticate and deliver the Notes to, or upon the written order (which order shall specify the name and address of the party to whom delivery is to be made) of, the Issuer. Until a Note has been authenticated, it shall have no force and effect.
- 3.2 The Notes and Coupons shall be executed on behalf of the Issuer by a duly authorised officer of the Issuer, by manual or facsimile signature. If such officer of the Issuer shall cease to be an officer before the Note so signed (or the Note to which the Coupon so signed is attached) shall be authenticated and delivered by the Fiscal Agent, such Note nevertheless may be authenticated and delivered as though the person who signed such Note or Coupon had not ceased to be an officer of the Issuer; and any Note or Coupon may be signed on behalf of the Issuer by such person as, at the actual date of the execution of such Note or Coupon, shall be such duly authorised officer of the Issuer, although at the date of the execution and delivery of this Agreement such person was not such officer.
- 3.3 The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of Icelandic law.

- 3.4 The Notes will be offered and sold in accordance with Regulation S under the U.S. Securities Act of 1933, as amended. The following legend will appear on the face of all Notes and Coupons:

"ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE."

4. **ISSUANCE AND EXCHANGE OF NOTES.**

- 4.1 The Notes of each series will initially be issued in the form of a temporary global note (each, a "**Temporary Global Note**" and together, the "**Temporary Global Notes**") in bearer form, without Coupons, substantially in the form set forth in Exhibit B hereto. Each Temporary Global Note shall be executed on behalf of the Issuer in the same manner as provided in Clause 3 hereof. Upon the written order of the Issuer, each Temporary Global Note shall be authenticated by the Fiscal Agent upon the same conditions, in substantially the same manner provided herein, and shall be deposited with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") (such common depositary, the "**Common Depositary**"), for credit on 7 July 2004 to the respective accounts of the Dealer Managers at Euroclear or Clearstream, Luxembourg or such other accounts as any of the Dealer Managers may direct against payment for the Notes in same day value funds to the account designated by the Issuer.
- 4.2 On or after the Exchange Date (as defined in the Temporary Global Notes), the Fiscal Agent, on presentation to it, or to its order, of a Temporary Global Note, shall procure the exchange of interests in a Temporary Global Note for interests of an equal nominal amount in the related permanent global note (each, a "**Permanent Global Note**" and together, the "**Permanent Global Notes**") in bearer form, with Coupons, substantially in the form set forth in Exhibit C hereto. Such exchange shall occur outside the United States and its territories and possessions and only to the extent that certifications substantially in the forms of Exhibit F hereto have been received on or after the date which is 40 days after 7 July 2004 (the "**Closing Date**") that the beneficial owners of the relevant Notes are not United States persons (as defined in the United States Internal Revenue Code of 1986, as amended (the "**Code**"), and the United States Treasury regulations issued thereunder), subject to certain exceptions. A beneficial owner must provide such certification before any payments with respect to the Notes can be collected.
- 4.3 The Fiscal Agent, following its becoming aware of the occurrence of any of the events specified in the Permanent Global Notes which require a Permanent Global Note to be exchanged for Notes of the relevant series in definitive form substantially in the form set forth in Exhibit D hereto (the "**Definitive Notes**") forthwith shall notify the Issuer of such event.

At least 14 days before the exchange date for the exchange of the Permanent Global Notes the Issuer will deliver or procure the delivery of Definitive Notes of each series in an aggregate nominal amount equal to the nominal amount of the relevant Permanent Global Note to, or to the order of, the Fiscal Agent. Definitive Notes shall have attached all Coupons and Talons in respect of instalments or interest which has not already been paid against presentation of the relevant Permanent Global Note. The Fiscal Agent (or its agent on its behalf) shall authenticate such Definitive Notes and shall make them available for exchange against the relevant Permanent Global Note in accordance with such Permanent Global Note. On exchange in full of the relevant Permanent Global Note, the Fiscal Agent shall cancel or procure the cancellation of the relevant Permanent Global Note.

Notwithstanding Clause 13, while all the Notes of the relevant series are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the relevant Permanent Global Note is (or the relevant Permanent Global Note and/or a Temporary Global Note are) deposited with the Common Depositary, notices to Noteholders of the relevant Series may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders of the relevant Series in accordance with Clause 13 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg; **provided, however, that**, so long as the Notes of the relevant Series are listed on the Iceland Stock Exchange and its rules so require, notices will also be given through the Iceland Stock Exchange's news-page.

5. PAYMENTS

5.1 Payments to the Principal Paying Agent

5.1.1 *Issuer to pay Principal Paying Agent*

In order to provide for the payment of principal and interest in respect of the Notes as the same becomes due and payable, the Issuer shall pay to the Principal Paying Agent, on or before the date on which such payment becomes due, an amount equal to the amount of principal and/or (as the case may be) interest falling due in respect of the Notes on such date.

5.1.2 *Manner and time of payment*

Each amount payable under Clause 5.1.1 shall be paid unconditionally by credit transfer in ISK and in immediately available, freely transferable, cleared funds not later than 11.00 a.m. (Reykjavík London time) on the relevant day to such account with such bank outside the United States as the Principal Paying Agent may from time to time by notice to the Issuer specify for such purpose. The Issuer shall, before 5.00 p.m. (Reykjavík time) on the second Local Banking Day before the due date of each payment by it under Clause 5.1.1, confirm to the Principal Paying Agent by facsimile (in accordance with Clause 13) the payment instructions including details of the receiving bank, the value date and the amount of such payment.

In this Clause 5.1, "**Local Banking Day**" means a day (other than a Saturday or a Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent has its Specified Office.

5.1.3 *Exclusion of liens and interest*

The Principal Paying Agent shall be entitled to deal with each amount paid to it under this Clause 5.1 in the same manner as other amounts paid to it as a banker by its customers; **provided, however, that** (A) it shall not exercise against the Issuer any lien, right of set-off or similar claim in respect thereof and (B) it shall not be liable to any person for interest thereon.

5.1.4 *Application by Principal Paying Agent*

The Principal Paying Agent shall apply each amount paid to it hereunder in accordance with Clause 5.2 and shall not be obliged to repay any such amount unless the claim for the relevant payment becomes void under Condition 12 (*Prescription*), in which event it shall refund at the written request of the Issuer such portion of such amount as relates to such payment by paying the same by credit transfer in ISK to such account with such bank as the Issuer has by notice to the Principal Paying Agent specified for the purpose.

5.2 **Payments to Noteholders**

5.2.1 *Payments by Paying Agents*

Each Paying Agent acting through its Specified Office shall make payments of principal and interest in respect of the Notes in accordance with the Conditions (and, in the case of a Temporary Global Note or a Permanent Global Note, the terms thereof); **provided, however, that:**

- (a) if any Definitive Note, Coupon or Receipt is presented or surrendered for payment to any Paying Agent and such Paying Agent has delivered a replacement therefor or has been notified that the same has been replaced, such Paying Agent shall forthwith notify the Issuer of such presentation or surrender and shall not make payment against the same until it is so instructed by the Issuer and has received the amount to be so paid;
- (b) a Paying Agent shall not be obliged (but shall be entitled) to make payments of principal or interest in respect of the Notes, if:
 - (i) in the case of the Principal Paying Agent, it has not received, or is not satisfied that it will receive, the full amount of any payment due to it under Clause 5.1.1; or
 - (ii) in the case of any other Paying Agent, (a) it has been notified by the Principal Paying Agent that payment has not been received, unless it is subsequently notified that such payment has been received; or (b) it is not able to establish that the Principal Paying

Agent has received (whether or not at the due time) the full amount of any payment due to it under Clause 5.1.1;

- (c) each Paying Agent shall cancel each Definitive Note, Coupon or Receipt against surrender of which it has made full payment and shall, in the case of a Paying Agent other than the Fiscal Agent, deliver each Definitive Note, Coupon or Receipt so cancelled by it to, or to the order of, the Fiscal Agent;
- (d) in the case of payment of principal or interest against presentation of a Temporary Global Note or a Permanent Global Note, the relevant Paying Agent shall procure that there is noted in the schedule to such Temporary Global Note or (as the case may be) such Permanent Global Note the amount of such payment and, in the case of payment of principal, the remaining principal amount of such Temporary Global Note or (as the case may be) such Permanent Global Note (which shall be the previous principal amount thereof less the amount of principal then paid) and shall procure the signature of such notation on its behalf;
- (e) notwithstanding any other provision of this Agreement, each Paying Agent shall be entitled to make a deduction or withholding from any payment which it makes under this Agreement for or on account of any present or future taxes, duties or charges if and to the extent so required by applicable law, in which event such Paying Agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted; and
- (f) the obligations of the Issuer under Condition 10 (*Taxation*) shall survive the payment of the Notes and the resignation or removal of any Agent and the termination of this Agreement.

5.2.2 *Exclusion of liens and commissions*

No Paying Agent shall exercise any lien, right of set-off or similar claim against any person to whom it makes any payment under Clause 5.2.1 in respect thereof, nor shall any commission or expense be charged by it to any such person in respect thereof.

5.2.3 *Reimbursement by Principal Paying Agent*

If a Paying Agent other than the Principal Paying Agent makes any payment in accordance with Clause 5.2.1:

- (a) it shall notify the Principal Paying Agent of the amount so paid by it, the certificate or serial number (if any) of the Temporary Global Note, Permanent Global Note, Definitive Note, Coupon or Receipt against presentation or surrender of which payment of principal was made, or of

the Temporary Global Note, Permanent Global Note, Definitive Note, Coupon or Receipt against presentation or surrender of which payment of interest was made, and the number of Coupons by maturity against presentation or surrender of which payment of interest was made; and

- (b) subject to and to the extent of compliance by the Issuer with Clause 5.1.1 (whether or not at the due time), the Principal Paying Agent shall pay to such Paying Agent out of the funds received by it under Clause 5.1.1, by credit transfer in ISK and in immediately available, freely transferable, cleared funds to such account with such bank as such Paying Agent has by notice to the Principal Paying Agent specified for the purpose, an amount equal to the amount so paid by such Paying Agent.

5.2.4 *Appropriation by Principal Paying Agent*

If the Principal Paying Agent makes any payment in accordance with Clause 5.2.1, it shall be entitled to appropriate for its own account out of the funds received by it under Clause 5.1.1 an amount equal to the amount so paid by it.

5.2.5 *Reimbursement by Issuer*

Subject to Clauses 5.2.1(a) and 5.2.1(b), if a Paying Agent makes a payment in respect of Notes on or after the due date for such payment under the Conditions at a time at which the Principal Paying Agent has not received the full amount of the relevant payment due to it under Clause 5.1.1 and the Principal Paying Agent is not able out of funds received by it under Clause 5.1.1 to reimburse such Paying Agent therefor (whether by payment under Clause 5.2.3 or appropriation under Clause 5.2.4, the Issuer shall from time to time on demand pay to the Principal Paying Agent for account of such Paying Agent:

- (a) the amount so paid out by such Paying Agent and not so reimbursed to it; and
- (b) interest on such amount from the date on which such Paying Agent made such payment until the date of reimbursement of such amount

provided, however, that any payment made under Clause 5.2.5(a) shall satisfy *pro tanto* the obligations of the Issuer under Clause 5.1.1.

5.2.6 *Interest*

Interest shall accrue for the purpose of Clause 5.2.5(b) (before as well as after judgment) on the basis of a year of 360 days and the actual number of days elapsed and at the rate per annum which is the aggregate of one per cent. per annum and the average of the daily LIBOR rates for the currency of payment

published by the British Bankers Association for the period in relation to the unpaid amount.

5.2.7 *Partial payments*

If at any time and for any reason a Paying Agent makes a partial payment in respect of a Temporary Global Note, a Permanent Global Note or any Definitive Note, Coupon or Receipt presented for payment to it, such Paying Agent shall enface thereon a statement indicating the amount and date of such payment.

5.2.8 *Permanent Global Note*

The holder of a Permanent Global Note shall be the only person entitled to receive payments in respect of the Notes represented by such Permanent Global Note and the Issuer's payment obligation will be discharged by any payment to, or to the order of, the holder of such Permanent Global Note with respect to each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of the Notes (an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the holder of such Permanent Global Note. No person other than the holder of a Permanent Global Note shall have any claim against the Issuer in respect of payments due on such Permanent Global Note.

5.2.9 *Temporary Global Note*

With respect to any due date for payment under Clause 5.1.1 occurring prior to the Exchange Date (as defined in the Temporary Global Notes) in respect of a Temporary Global Note, the Issuer shall pay the entire amount of interest payable on such due date in respect of such Temporary Global Note upon presentation to the Principal Paying Agent. Payment of interest on the Notes represented by such Temporary Global Note that is payable on any such due date occurring prior to the Exchange Date for such Temporary Global Note will be made to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the persons shown in the records of Euroclear or Clearstream, Luxembourg as the Accountholders appearing in their records as being entitled thereto, but only upon presentation to the Principal Paying Agent of a certificate of Euroclear or Clearstream, Luxembourg, as the case may be, substantially in the form set out in Exhibit F, with respect to such Temporary Global Note or portion thereof in respect of which such interest is being paid to the effect that Euroclear or Clearstream, Luxembourg, as the case may be, has received a certificate substantially in the form of Certificate "A" as set out in Exhibit F and signed by its Accountholders. All Coupons with respect to any due date for payment under Clause 5.1.1 that occurs prior to the Exchange Date shall, prior to delivery of the definitive Notes to which they appertain, be detached from such definitive Notes and shall be delivered to any Paying Agent (outside the United States); and upon delivery thereof by the

Paying Agent to the Fiscal Agent, shall be cancelled by the Fiscal Agent. Notwithstanding anything to the contrary in this Agreement, the Conditions or the Notes, the holder of a Temporary Global Note shall not be entitled to receive any payment of interest thereon on or after the Exchange Date. No payment will be made on a Temporary Global Note unless exchange for an interest in the Global Note is improperly withheld or refused.

5.2.10 *Payments outside United States*

Notwithstanding any other provision of the Notes or hereof other than the last sentence of this Clause 5.2.10, no payment with respect to interest or principal payable, if any, on any Note may be made at the office of any Paying Agent in the United States, and, except pursuant to the last sentence of this paragraph, any otherwise allowable payment may be made only upon presentation and surrender at such office outside the United States of the Note, in the case of principal, or the corresponding Coupon, in the case of interest. No payment on a Note shall be made by transfer to an account in, or by mail to an address in, the United States (other than to a financial institution which, as a step in the clearance of funds, promptly credits and pays such amount to an account maintained outside the United States for such financial institution or for persons for which the financial institution has collected such payment). Notwithstanding the foregoing, payments in respect of the Notes will be made at the specified office of a Paying Agent in the United States only if: (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount owing in respect of the Notes in the manner provided above when due; (ii) payment of the full amount owing in respect of the Notes at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) such payment is then permitted under United States law.

5.2.11 *Tax certification*

No later than 21 days prior to each Interest Payment Date in respect of the Notes, the Principal Paying Agent shall notify the Clearing Systems via the Common Depositary that there is a taxable event.

6. **DELIVERY, AUTHENTICATION AND REPLACEMENT OF NOTES.**

- 6.1 The Issuer shall execute and deliver Notes to the Fiscal Agent in such amounts and at such times as to enable the Fiscal Agent to fulfil its responsibilities under this Agreement and the Notes.
- 6.2 The Fiscal Agent is hereby authorised, in accordance with Condition 13 (*Replacement of Notes, Receipts, Coupons and Talons*), to authenticate and deliver or cause to be authenticated and delivered from time to time Notes in exchange for or in lieu of Notes (with all unmatured Coupons, Talons and Receipts, if any, attached) which have

become lost, stolen, mutilated, defaced or destroyed or in replacement of Notes, Coupons, Talons or Receipts appertaining to which have become lost, stolen, mutilated, defaced or destroyed. Each Note authenticated and delivered in exchange for or in lieu of any such Note shall carry all the rights to interest accrued and unpaid and to accrue which were carried by such Note before such loss, theft, mutilation, defacement or destruction. Any Note so exchanged or replaced shall have attached thereto Coupons, Talons and Receipts such that neither gain nor loss in principal or interest shall result from such exchange or replacement.

- 6.3 With respect to Definitive Notes, if any, in the case of a lost, stolen, mutilated, defaced or destroyed Note, Coupon, Talon or Receipt, if any, indemnity satisfactory to the Fiscal Agent and the Issuer will be required of the owner of such Note, Coupon, Talon or Receipt before a replacement Note with appropriate Coupons, Talons and Receipts, if any, will be issued. All expenses associated with obtaining such indemnity and in issuing the new Note and appropriate Coupons and Talons, if any, shall be borne by the owner of the lost, stolen, mutilated, defaced or destroyed Note, Coupon, Talon or Receipt.
- 6.4 With respect to Definitive Notes, if any, all such Notes, together with any Coupons, Talons or Receipts attached thereto, surrendered for payment, redemption or exchange and all Coupons, Talons or Receipts surrendered for payment shall be cancelled and delivered to the Fiscal Agent. The Fiscal Agent shall destroy or cause to be destroyed all such Notes, Coupons, Talons and Receipts surrendered for payment, redemption or exchange and shall promptly deliver a certificate of destruction to the Issuer. Once cancelled no Note, Coupon, Talon or Receipt may be re-issued.

7. AGENTS

Each of the Agents accepts its obligations set forth herein and in the Notes upon the terms and conditions hereof and thereof, including the following, to all of which the Issuer agrees and to all of which the rights of the holders from time to time of the Notes, Coupons, Talons and Receipts shall be subject:

- 7.1 The Issuer agrees to reimburse each of the Agents for documented out-of-pocket expenses (including the reasonable documented fees and expenses of its agents and legal counsel) properly incurred by it in connection with the services rendered by it hereunder in accordance with the terms agreed upon between the Issuer and each such Agent. The Issuer also agrees, jointly and severally, to indemnify each of the Agents for, and to hold them harmless against, any loss, liability, cost, claim, action, demand or expense (including the reasonable documented costs and expenses of investigating or defending against any claim of liability, including the reasonable and documented fees and expenses of its legal counsel) incurred without negligence, bad faith or wilful misconduct on their part arising out of or in connection with their acting as such Agent or performing any other duties pursuant to the terms and conditions of this Agreement. The obligations of the Issuer under this Clause 7.1 shall survive the payment of the Notes and the resignation or removal of such Agent and the termination of this Agreement. The Issuer shall indemnify the Agents promptly upon receipt by the Issuer

of a demand therefor supported by evidence of such loss, liability, cost, claim, action, demand or expense.

- 7.2 In acting under this Agreement and in connection with the Notes, the Coupons, the Talons and the Receipts, each of the Agents is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency for or with any of the owners or holders of the Notes, Coupons, Talons or Receipts except that all funds held by such Agent for the payment of principal of and interest on the Notes shall be held by such Agent and applied as set forth herein and in the Notes, but need not be segregated from other funds held by such Agent except as required by law; **provided, however, that** any such monies remaining unclaimed at the end of two years after the date on which such principal and interest shall have become due and payable shall be repaid to the Issuer on its written request therefor and the holder of such Note or any Coupon, Talon or Receipt will thereafter look only to the Issuer for payment and all liability of such Agent with respect to such moneys shall cease.
- 7.3 Each of the Agents may consult with legal counsel and professional advisors, and any advice or written opinion of such legal counsel or professional advisors shall be full and complete authorisation and protection and no liability shall be incurred by it in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or opinion.
- 7.4 Each of the Agents shall be protected and shall incur no liability for or in respect of any action reasonably and in good faith taken or omitted to be taken or anything suffered by it in reliance upon any Note, or any Coupon, Talon or Receipt, notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably and in good faith believed by it to be genuine and to have been presented or signed by the proper party or parties.
- 7.5 Each of the Agents, and each of its officers, directors and employees, in an individual capacity or any other capacity, may become the owner of, or acquire any interest in, any Notes, Coupons, Talons or Receipts or other obligations of the Issuer with the same rights that it would have if it were not such Agent or an officer, director or employee thereof, as the case may be, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depositary or agent for, any committee or body of holders of Notes, Coupons or Talons or other obligations of the Issuer, as freely as if it were not such Agent or an officer, director or employee thereof, as the case may be.
- 7.6 None of the Agents shall be under any liability for interest on, or have any responsibility to invest, any monies received by it pursuant to any of the provisions of this Agreement, or the Notes.
- 7.7 The recitals contained herein and in the Notes (except in the certificate of authentication of a duly authorised signatory of the Fiscal Agent and the certain sections setting forth addresses of the Agents therein) shall be taken as the statements of the Issuer, as the case may be, and the Agents assume no responsibility for the

correctness of the same. None of the Agents makes any representation as to the validity or sufficiency of this Agreement or the Notes, the Coupons or the Talons or the Exchange Offer Memorandum (as defined in the Dealer Managers Agreement) or any other offering material. The Agents shall not be accountable for the use or application by the Issuer of the proceeds of any Notes.

- 7.8 The Agents shall be obligated to perform such duties and only such duties as are herein and in the Notes specifically set forth, and no implied duties or obligations shall be read into this Agreement or the Notes against the Agents. None of the Agents shall be under any obligation to take any action hereunder which may tend to involve it in any expense or liability, the payment of which within a reasonable time is not, in its opinion, assured to it, and shall promptly give notice to the Issuer of such a decision not to take any action otherwise required to be taken by it hereunder.
- 7.9 Except as otherwise specifically provided herein or in the Notes, any order, certificate, notice, request, direction or other communication from the Issuer made or given under any provision of this Agreement shall be sufficient if signed by a duly authorised officer of the Issuer, as the case may be.
- 7.10 Except as specifically provided herein or in the Notes, none of the Agents shall have any duty or responsibility in case of any default by the Issuer in the performance of its obligations (including, without limiting the generality of the foregoing, any duty or responsibility to accelerate all or any of the Notes or to initiate or to attempt to initiate any proceedings at law or otherwise or to make any demand for the payment thereof upon the Issuer).

8. RESIGNATION OR REMOVAL OF AGENTS.

- 8.1 The Issuer agrees that, so long as any of the Notes are outstanding, or until monies for the payment of all principal and interest on all outstanding Notes shall have been made available at the Specified Office of any Paying Agent outside the United States by check drawn, or by transfer to, an ISK account to which ISK may be credited or transferred, and, as to monies remaining unclaimed, shall have been returned to the Issuer as provided in Clause 7.2 hereof, there shall at all times be a fiscal agent in respect of the Notes and agents for the payment of the principal of, and interest on, the Notes in accordance with Condition 6 (*Payments*). The Issuer agrees to keep the Agents advised of the names and locations of all such paying agents; **provided, however, that**, until the Issuer shall otherwise notify the Agents in writing, such paying agents shall consist only of those set forth in Clause 2 hereof. The Principal Paying Agent shall arrange with the other paying agents for the payment, from funds furnished by the Issuer to the Principal Paying Agent pursuant to this Agreement, of the principal of, and interest on, the Notes.
- 8.2 Each of the Agents may at any time resign by giving written notice of its resignation to the Issuer specifying the date on which its resignation shall become effective, subject to the conditions set forth below; **provided, however, that** such date shall be at least 60 calendar days after the receipt of such notice by the Issuer unless the Issuer agrees to

accept shorter notice. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor to such Agent by written instrument in duplicate signed on behalf of the Issuer, one copy of which shall be delivered to the resigning Agent and one copy to the successor Agent. Such resignation shall become effective only upon the acceptance of appointment by the successor to such Agent as provided in Clause 8.4 hereof. If, after 60 calendar days, no successor to such Agent shall have been so appointed, or if so appointed, shall not have accepted appointment as hereinafter provided, then such Agent may, with the approval of the Issuer, appoint its own successor. Immediately upon the acceptance of the appointment of a successor Agent, the Issuer shall notify each of the other Agents of such appointment. The Issuer may at any time and for any reason, remove any Agent and appoint a successor Agent by written instrument in duplicate signed on behalf of the Issuer, one copy of which shall be delivered to the Agent being removed and one copy to the successor Agent, upon at least 30 calendar days written notice to that effect, **provided, however, that** no such notice shall expire less than 15 calendar days before or 15 calendar days after any due date for payment under Clause 5.1.1. Any removal of an Agent and any appointment of a successor Agent shall become effective upon acceptance of appointment by the successor to such Agent as provided in Clause 8.4 hereof. Immediately upon the acceptance of the appointment of a successor Agent, the Issuer shall notify each of the other Agents of such appointment. Upon resignation or removal, such Agent shall be entitled to the payment by the Issuer of the compensation for the services rendered hereunder as agreed with the Issuer and to the reimbursement of all reasonable and documented (to the extent practicable) out-of-pocket expenses incurred in connection with the services rendered by it hereunder (including reasonable and documented (to the extent practicable) fees and expenses of legal counsel).

- 8.3 In case at any time any of the Agents shall resign, or shall be removed, or shall become incapable of acting, or be adjudged bankrupt or insolvent, or shall file a voluntary petition in bankruptcy, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they mature, or if an order of any court shall be entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property shall be appointed, or if any public officer shall take charge or control of it or of its property or affairs, for the purpose of rehabilitation, conservation or liquidation, such Agent shall notify the Issuer and a successor to such Agent shall be appointed by the Issuer by an instrument in writing. Upon the appointment as aforesaid of a successor to such Agent and acceptance by it of such appointment, the Agent so superseded shall cease to be such Agent hereunder. Immediately upon the acceptance of the appointment of a successor Agent, the Issuer shall notify each of the other Agents of such appointment.
- 8.4 Any successor Agent appointed hereunder shall execute, acknowledge, and deliver to its predecessor and to the Issuer an instrument accepting such appointment hereunder, and thereupon such successor Agent, without any further act, deed or conveyance,

shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as such Agent hereunder, and such predecessor, upon payment of the compensation agreed with the Issuer and reasonable and documented (to the extent practicable) out-of-pocket expenses then unpaid (including the reasonable and documented (to the extent practicable) fees and expenses of its legal counsel) shall pay over to such successor Agent all monies or other property at the time held by it hereunder.

- 8.5 Any corporation or bank into which any Agent may be merged or converted, or with which any Agent may be consolidated, or any corporation or bank resulting from any merger, conversion or consolidation to which the Agent shall be a party, or any corporation or bank to which such Agent shall sell or otherwise transfer all or substantially all of its assets and business, or any corporation or bank succeeding to the corporate trust business of such Agent shall be the successor to such Agent hereunder, without the execution or filing of any document or any further act on the part of the parties hereto.

9. **VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS**

Each Paying Agent shall, at the request of any Noteholder, issue Voting Certificates (as defined in Exhibit G hereto) and Block Voting Instructions (as defined in Exhibit G hereto) in a form and manner which comply with the provisions of Exhibit G (except that it shall not be required to issue the same less than 48 hours before the time fixed for any Meeting (as defined in Exhibit G hereto) provided for therein). Each Paying Agent shall keep a full record of Voting Certificates and Block Voting Instructions issued by it and shall give to the Issuer, not less than 24 hours before the time appointed for any Meeting, full particulars of all Voting Certificates and Block Voting Instructions issued by it in respect of such Meeting.

10. **PAYMENT OF TAXES AND DUTIES**

The Issuer will pay all stamp or other documentary taxes or duties, if any, which may be imposed on or with respect to the execution or delivery of this Agreement or the issuance of the Notes or Coupons or in connection with the enforcement of any provisions hereof or thereof.

11. **NOTIFICATION OF DEFAULT**

If an Event of Default, as defined in Condition 11 (*Events of Default*), with respect to the Notes, or an event which would, with the passing of time or the giving of notice or both, be an Event of Default, shall occur and be continuing, the Issuer shall within two business days of becoming aware thereof notify the Fiscal Agent in writing, of such default or Event of Default and the Fiscal Agent shall thereupon promptly notify all Noteholders of such default or Event of Default.

The Temporary Global Notes and the Permanent Global Notes provide that the holder may cause such Global Note or a portion of them to become due and payable in the circumstances described in Condition 11 (*Events of Default*) by stating in the notice to

the Issuer the principal amount of Notes which is being declared due and payable. If principal in respect of any Notes is not paid when due and payable, the holder of the relevant Global Note may elect that such Global Note becomes void as to a specified portion and that the persons entitled to such portion as accountholders with a clearing system acquire direct enforcement rights against the Issuer in respect of such portion.

12. CERTIFICATE OF NON-DEFAULT

The Issuer shall provide to the Fiscal Agent on each anniversary of the date hereof, a certificate to the effect that there is then existing no default or Event of Default with respect to the Notes.

13. NOTICES

All notices and other communications provided for hereunder to be given to the parties hereto shall, unless otherwise stated herein, be in writing (including by facsimile transmission) and mailed or sent or delivered, as to the Issuer, Fiscal Agent and any Paying Agent, at their respective addresses set forth below. All such notices and communications shall be given by hand, by courier service or by facsimile transmission facilities are not operational, such notices and communications may be given by certified mail, return receipt requested, but the sender shall promptly confirm notices or communications given by mail as soon as facsimile transmission facilities shall become operational. All such notices and communications shall be effective, when delivered by hand, or, in the case of notice by mail, upon the earlier of receipt and confirmation by facsimile transmission as provided above, or, in the case of facsimile transmission, when sent addressed as set forth below and received.

Address of the Issuer:

The Housing Financing Fund
Borgartun 21
105 Reykjavik
Iceland
Attention: Gudmundur Bjarnason
Fax: +354 569 6820

Address of the Fiscal Agent and Principal Paying Agent:

Islandsbanki HF
ID 550500-3530
Kirkjusandur
155 Reykjavík
Iceland
Attention: Selma Filippusdóttir
Fax: + 354 440 3901

14. **GOVERNING LAW; CONSENT TO JURISDICTION.**

14.1 This Agreement shall be governed by and construed in accordance with the Laws of the Republic of Iceland.

14.2 Any dispute (a "**Dispute**") arising out of or in connection with this Agreement is subject to the exclusive jurisdiction of the Icelandic courts.

14.3 Documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on the other party by being delivered to the other party in accordance with Chapter XIII of the Code of Civil Procedure, no. 91/1991.

14.4 The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

14.5 To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

15. **COUNTERPARTS**

This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Such counterparts shall together constitute but one and the same instrument.

16. **SECTION HEADINGS**

The section headings in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HOUSING FINANCING FUND

By: 

Name: GUÐMUNDUR BJARNASON

Title: MANAGING DIRECTOR

ÍSLANDBANKI HF.

as Fiscal Agent and Principal Paying Agent

By: 

Name: SELMA FILIPPUSDOTTIR

Title: GENERAL MANAGER

EXHIBIT A
Terms and Conditions of the Notes

The 3.75 per cent. Notes due 15 February 2024 (the "**New Series 1 Notes**", which expression includes any further New Series 1 Notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith), the 3.75 per cent. Notes due 15 April 2034 (the "**New Series 2 Notes**", which expression includes any further New Series 2 Notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) and the 3.75 per cent. Notes due 15 June 2044 (the "**New Series 3 Notes**", which expression includes any further New Series 3 Notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith, and, together with the New Series 1 Notes and the New Series 2 Notes, the "**Notes**") of the Housing Financing Fund (the "**Issuer**") are the subject of a fiscal agency agreement dated 7 July 2004 (the "**Settlement Date**") (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Íslandsbanki hf as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "**Noteholders**"), the holders of the related principal receipts (the "**Receiptholders**" and the "**Receipts**", respectively) and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination and Title

The Notes are in bearer form in the denomination of ISK 1 with Receipts, Coupons and talons (each, a "**Talon**") for further Coupons and Receipts attached at the time of issue. Title to the Notes, the Receipts, the Coupons and the Talons will pass by delivery. The holder of any Note, Receipt, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2. Status

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of Icelandic law.

3. State Guarantee

The entire liabilities of the Issuer, including its obligations to make payments of principal and interest under the Notes, are guaranteed by the Icelandic State. Under Icelandic law, the

guarantee is irrevocable and without limitation but, in the event of a default by the Issuer, a Noteholder is required first to exhaust his remedies against the Issuer before he is entitled to make a claim against the Icelandic State.

4. Negative Pledge

So long as any Note remains outstanding (as such term is defined in the Agency Agreement), the Issuer shall not create or permit to subsist any Security Interest upon any of its present or future revenues, properties or assets without at the same time or prior thereto securing the Notes equally and rateably therewith; *provided, however*, that the Notes will not be required to be so secured if the Security Interest is on properties or assets to secure an amount not exceeding the purchase price of such properties or assets.

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

5. Interest

- (a) **Series 1:** The New Series 1 Notes due 15 February 2024 will bear fixed interest on their outstanding principal amount from 15 February 2004 at the rate of 3.75 per cent. per annum (the **"Series 1 Interest Rate"**). Interest (subject to adjustment for indexation in accordance with Condition 8 (*Indexation*)) will be payable in arrear on 15 February and 15 August in each year (each a **"Series 1 Interest Payment Date"**), commencing on 15 August 2004;
- (b) **Series 2:** The New Series 2 Notes due 15 April 2034 will bear fixed interest on their outstanding principal amount from 15 April 2004 at the rate of 3.75 per cent. per annum (the **"Series 2 Interest Rate"**). Interest (subject to adjustment for indexation in accordance with Condition 8 (*Indexation*)) will be payable in arrear on 15 April and 15 October in each year (each, a **"Series 2 Interest Payment Date"**), commencing on 15 October 2004;
- (c) **Series 3:** The New Series 3 Notes due 15 June 2044 will bear fixed interest on their outstanding principal amount from 15 June 2004 at the rate of 3.75 per cent. per annum (the **"Series 3 Interest Rate"**). Interest (subject to adjustment for indexation in accordance with Condition 8 (*Indexation*)) will be payable in arrear on 15 June and 15 December in each year (each, a **"Series 3 Interest Payment Date"**), commencing on 15 December 2004.
- (d) If interest is required to be paid in respect of a Note on any date other than a Series 1 Interest Payment Date, a Series 2 Interest Payment Date or a Series 3 Interest Payment Date (each, an **"Interest Payment Date"**) as the case may be, it shall be calculated by applying the Series 1 Interest Rate, Series 2 Interest Rate or Series 3 Interest Rate, as the case may be to the current principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest Icelandic Króna (half a Króna being rounded upwards), where:

"Day Count Fraction" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the product of (1) the number of days in the Regular Period in which the relevant period falls and (2) two; and

"Regular Period" means each period from (and including) the Settlement Date or any Interest Payment Date to (but excluding) the next Series 1 Interest Payment Date, Series 2 Interest Payment Date or Series 3 Interest Payment Date, as the case may be.

6. Redemption and Purchase

- (a) **Scheduled Redemption:** Unless previously redeemed, purchased or cancelled, the Series 1 Notes will be redeemed in 40 instalments on the Series 1 Interest Payment Dates, the Series

2 Notes will be redeemed in 60 instalments on the Series 2 Interest Payment Dates and the Series 3 Notes will be redeemed in 80 instalments on the Series 3 Interest Payment Dates. Subject to Condition 7 (*Payments*) and Condition 8 (*Indexation*) the amount of each instalment to be paid on each relevant Interest Payment Date shall be calculated in accordance with the following formula:

$$A = \frac{r(1+r)^{k-1}}{(1+r)^n - 1}$$

where

A = The amount of each instalment of the relevant Note

$$r = \frac{c}{2}$$

c = The Rate of Interest of the relevant Note

n = The total number of instalments of the relevant Note

and

k = The number of payments that have already been made (k = 0 on the Settlement Date, k = 1 on the first Interest Payment Date, etc)

- (b) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraph (a) above.
- (c) *Purchase:* The Issuer may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Receipts, Coupons and unexchanged Talons are purchased therewith.
- (d) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Receipts, Coupons or unexchanged Talons attached to or surrendered with them may be cancelled and, in the event that they are so cancelled, may not be reissued or resold.

7. Payments

- (a) *Payments for the Notes:* The Issuer shall, on each relevant Interest Payment Date in respect of each Note of ISK 1 denomination, make a combined payment of principal due under Condition 6 (*Redemption and Purchase*) and interest due under Condition 5 (*Interest*) in accordance with the following formula which payment, once calculated, shall be adjusted for inflation as set out in Condition 8 (*Indexation*):

$$P = \frac{r}{1 - \left(\frac{1}{1+r}\right)^n}$$

where

P = The combined payment of principal and interest of the relevant Note

$$r = \frac{c}{2}$$

c = The Rate of Interest of the relevant Note

and

n = The total number of instalments of the relevant Note.

- (b) *Principal*: Payments of principal set out in Condition 7(a) (*Payments for the Notes*) shall be made only against:
- (i) presentation and (In the case of final redemption, *provided that* payment is made in full) surrender of Notes; and
 - (ii) in respect of any instalment of principal which becomes due on an Interest Payment Date, presentation and (in the case of payment in full) surrender of the appropriate Receipts,
- at the Specified Office of any Paying Agent outside the United States.
- (c) *Interest*: Payments of interest shall, subject to paragraph (g) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States.
- (d) *Method of Payment*: Payments of principal and interest of the Notes will be made in ISK by credit or transfer to an account denominated in ISK and specified by the Noteholder.
- (e) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 10 (Taxation). No commissions or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.
- (f) *Unmatured Receipts void*: On the due date for final redemption of any Note pursuant to Condition 6(a) (*Scheduled Redemption*), all unmaturred Receipts relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Unmatured Coupons void*: On the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 11 (*Events of Default*), all unmaturred Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days*: If the due date for payment of any amount in respect of any Note, Receipt or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means, in respect of any place of presentation, any day on which banks are open for business in such place of presentation and, in the case of payment by transfer to a ISK account as referred to above, on which dealings in foreign currencies may be carried on both in Reykjavík and in such place of presentation.
- (i) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (j) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, Receipt or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (k) *Exchange of Talons*: On or after the maturity date of the final Coupon and Receipt which is (or was at the time of issue) part of a coupon or receipt sheet relating to the Notes (each, a "Coupon Sheet" and a "Receipt Sheet" respectively), the Talon forming part of such Coupon Sheet or Receipt Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet or Receipt Sheet (including a further Talon but excluding any Coupons or Receipts in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Note, any

unexchanged Talon relating to such Note shall become void and no Coupon or Receipt will be delivered in respect of such Talon.

8. Indexation

- (a) *Application of the Index ratio:* Each amount of interest and principal in respect of the Notes and calculated as set out in Condition 7 (*Payments*) to be paid on an Interest Payment Date, shall be multiplied by the Index Ratio applicable to such Interest Payment Date.

The value of the Index Ratio shall be the value of the Reference Index applicable to the relevant Interest Payment Date divided by the value of the Base Index.

"Reference Index" means:

- (i) for the first day of the relevant calendar month, the value of the Consumer Price Index (the **"CPI"**) for the relevant month as calculated by Statistics Iceland pursuant to the Consumer Price Index Act of 1995 (*lög um vísitölu neysluverðs nr. 12/1995*) and published monthly in the Legal Gazette (*Lögbirtingarblaðið*);
- (ii) for each day in the relevant calendar month other than the first day:
- (a) if the CPI for the calendar month immediately succeeding the month in which the relevant Interest Payment Date falls (the **"Succeeding Month CPI"**) has been published as at the relevant Interest Payment Date:

$$RI = CP_t \times \left(\frac{CP_{t+1}}{CP_t} \right)^{\frac{d}{360}}$$

- (b) if the Succeeding Month CPI has not been published as at the relevant Interest Payment Date:

$$RI = CP_t \times (1 + r)^{\frac{d}{360}}$$

where

RI = Reference Index

CP_t = CPI value for the first day of the relevant calendar month

CP_{t+1} = Succeeding Month CPI

d = number of days since the first day of the month (e.g. 2 February = 1)

and

r = annualised inflation forecast of the Central Bank of Iceland

provided that in the event that the value of the Reference Index in (i) or (ii) above is lower than the Base Index, the Reference Index shall equal the Base Index.

"Base Index" means the value of the CPI on 1 July 2004.

- (b) *Changes in the index:* If at any time a new index is substituted for the CPI, as of the calendar month from and including that in which such substitution takes effect:
- (i) the Reference Index shall be deemed to refer to the new index; and

- (ii) new Base Index shall be the product of the existing Base Index and the Reference Index immediately following such substitution, divided by the Reference Index immediately prior to such substitution.

9. Default Interest

- (a) In the event that payment is improperly withheld or refused, the unpaid amount will bear interest ("**Default Interest**") at the Default Interest Rate in accordance with Sections 5 and 6 of the Act on Interest and Price Indexation no. 38/2001 (*lög um vexti og verðtryggingu*). Default Interest shall be paid up to and including the day on which payment is received by or on behalf of the relevant Noteholder calculated on the basis of the actual number of days elapsed from the payment date as a fraction of a month of 30 days divided by 360.

"**Default Interest Rate**" means the aggregate of the current interest rate of the most common short-term loans of the Central Bank of Iceland to lending institutions and a margin of eleven per cent. as published by the Central Bank of Iceland semi-annually, before 1 January and 1 July each year.

- (b) *Calculation of default interest.* Default interest shall be calculated on the basis of the actual number of days elapsed from the payment date as a fraction of a month of 30 days divided by 360.

10. Taxation

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Republic of Iceland or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, in which case, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction.

The Issuer shall bear all costs of stamp, registration or other taxes, duties, assessments or governmental charges of whatsoever nature that are payable in Iceland upon or in connection with the execution or delivery of the Notes, Coupons or Receipts.

11. Events of Default

If any of the following events occurs:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal and/or interest in respect of the Notes within 31 days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Cross-default of Issuer:* any other present or future indebtedness in Icelandic Kroná of the Issuer for borrowed money (being indebtedness of an amount in excess of ISK 2,000,000,000) becomes due and payable prior to the stated maturity thereof by reason of default or any such indebtedness is not paid at the maturity thereof as extended by any grace period applicable thereto or any present or future guarantee of borrowed money in Icelandic Króna (being any guarantee of an amount in excess of ISK 2,000,000,000) given by the Issuer is not honoured when due and called upon or within any grace period applicable thereto or the security for any such guarantee or indebtedness for borrowed money becomes enforceable or the Issuer shall declare a general moratorium on the payment of such indebtedness,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its outstanding principal amount together with accrued interest, both as adjusted pursuant to Condition 8 (*Indexation*), without further action or formality.

12. Prescription

Claims for principal and interest shall become void unless the relevant Notes, Coupons (and, in the case of any instalment of principal which became due on an Interest Payment Date, the relevant Receipts) are presented for payment within ten years of the relevant Interest Payment Date.

13. Replacement of Notes, Receipts, Coupons and Talons

If any Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent and the Paying Agent having in Specified Office in Reykjavik, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. Agents

In acting under the Fiscal Agency Agreement and in connection with the Notes, the Receipts and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders, Receiptholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or agent bank and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain a paying agent in Reykjavik and a fiscal agent. Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

15. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at

which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, Receiptholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders, the Receiptholders or the Couponholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

16. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

17. Notices

Notices to the Noteholders shall be valid if published in a leading newspaper having general circulation in Iceland (which is expected to be the *Morgunblaðið*) or, if the rules of the Icelandic Stock Exchange ("ICEX") so admit, by the sole delivery of the relevant notice to either ICEX, Euroclear or Clearstream, Luxembourg for communication to the Noteholders. Any such notice shall be deemed to have been given on the date of first publication. Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

18. Redenomination, Renominalisation and Reconventioning

- (a) *Notice of redenomination:* If Iceland becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which Iceland becomes a Participating Member State.
- (b) *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
 - (i) the Notes shall be deemed to be redenominated into Euro in the denomination of Euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in ISK, converted into Euro at the rate for conversion of such currency into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Fiscal Agent, that market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice

and the Issuer shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

- (ii) if Notes have been issued in definitive form:
 - (A) all unmatured Coupons denominated in ISK (whether or not attached to the Notes) will become void with effect from the date (the **"Euro Exchange Date"**) on which the Issuer gives notice (the **"Euro Exchange Notice"**) to the Noteholders that replacement Notes and Coupons denominated in Euro are available for exchange (*provided that* such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in ISK will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 18) shall remain in full force and effect; and
- (iii) new Notes and Coupons denominated in Euro will be issued in exchange for Notes and Coupons denominated in ISK in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (iv) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as ISK ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in by Euro cheque drawn on, or by credit or transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a country in a city in which banks have access to the TARGET System.
- (c) *Interest:* Following redenomination of the Notes pursuant to this Condition 18, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.
- (d) *Interpretation:* In this Condition:
 - "Participating Member State"** means a member state of the European Union which adopts the Euro as its lawful currency in accordance with the Treaty; and
 - "Treaty"** means the Treaty establishing the European Community, as amended.

19. Governing Law and Jurisdiction

The Notes, the Coupons and the Receipts are governed by, and shall be construed in accordance with Icelandic law.

The Issuer irrevocably agrees that any dispute arising out of the Settlement Agency Agreement and/or the Notes, Coupons and Receipts shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (*Héraðsdómur Reykjavíkur*).

Legal action taken under this Condition may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991 (*Lög um meðferð einkamála*), Chapter 17.

EXHIBIT B
Form of Temporary Global Note

ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

HOUSING FINANCING FUND
ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]
TEMPORARY GLOBAL NOTE

1. INTRODUCTION

This Note is a Temporary Global Note in respect of a duly authorised issue of 3.75 per cent. Notes due [date] (the "Notes") of Housing Financing Fund (the "Issuer") in an aggregate principal amount of [amount] in the denomination of ISK 1.

2. REFERENCES TO CONDITIONS

References herein to the Conditions shall be to the Terms and Conditions of the Notes as set out in Exhibit A to the Fiscal Agency Agreement (as defined below) (the "Conditions"). Words and expressions defined in the Conditions shall bear the same meanings when used in this Global Note.

3. FISCAL AGENCY AGREEMENT

This Global Note is issued subject to, and with the benefit of, the Conditions and a Fiscal Agency Agreement (such Fiscal Agency Agreement as modified and/or supplemented and/or restated from time to time, the "Fiscal Agency Agreement") dated 7 July 2004 and made among the Issuer and Islandsbanki HF as the Fiscal Agent and Principal Paying Agent.

4. PROMISE TO PAY

The Issuer, subject as hereinafter provided and subject to and in accordance with the Conditions and the Fiscal Agency Agreement, agrees to pay to the bearer hereof the principal sums calculated in accordance with the Conditions on the date specified in the Conditions or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions and the Fiscal Agency Agreement, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions and the Fiscal Agency Agreement together with any other sums payable under the Conditions and the Fiscal Agency Agreement, upon presentation and, at maturity, surrender of this Global Note at the specified office of the Fiscal Agent at ID 550500-3530, Kirkjusandur, 155 Reykjavík, Iceland, or such

other specified office as may be specified for this purpose in accordance with the Conditions or at the specified office of any of the other Paying Agents located outside the United States, its territories and possessions (except as provided in the Conditions) from time to time appointed by the Issuer in respect of the Notes.

5. **PRINCIPAL AND INTEREST**

On any payment of principal and/or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note, details of such payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such purchase and cancellation, the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of such Notes so purchased and cancelled. The nominal amount from time to time of this Global Note and of the Notes represented by this Global Note following any such payment of principal, purchase and cancellation, as aforesaid or any exchange as referred to below shall be the nominal amount most recently entered in the relevant column in Part A of Schedule One hereto or in Schedule Two hereto.

6. **PAYMENTS PRIOR TO EXCHANGE**

Payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will only be made in accordance with Clause 5 of the Fiscal Agency Agreement.

7. **EXCHANGE**

On or after the date (the "**Exchange Date**") which is the later of (i) 40 days after the Closing Date and (ii) the expiry of the period that ends 40 days after completion of the distribution of the Notes as certified by the Dealer Managers to the Issuer and the Fiscal Agent, this Global Note may be exchanged in whole or in part for a Permanent Global Note in or substantially in the form set out in Exhibit C to the Fiscal Agency Agreement upon notice being given by Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of an interest in this Global Note. Presentation of this Global Note for exchange shall be made by the bearer hereof on any day (other than a Saturday or Sunday) on which banks are open for business in Reykjavík at the office of the Fiscal Agent specified above. The Issuer shall procure that the Permanent Global Note shall be so issued and delivered in exchange for only that portion of this Global Note in respect of which there shall have been presented to the Fiscal Agent by a depositary for Euroclear and/or Clearstream, Luxembourg a certificate in or substantially in the form set out in Exhibit F to the Fiscal Agency Agreement to the effect that it has received from or in respect of a person entitled to a particular nominal amount of the Notes represented by this Global Note (as shown by its records) a certificate in or substantially in the form of Certificate "A" as set out in Exhibit F to the Fiscal Agency Agreement.

On an exchange of the whole of this Global Note, this Global Note shall be surrendered to the Fiscal Agent.

8. **DETAILS OF EXCHANGE**

On an exchange of part only of this Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two hereto and the relevant space in Schedule Two hereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of this Global Note so exchanged. On any exchange of this Global Note for a Permanent Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two to the Permanent Global Note and the relevant space in Schedule Two thereto recording such exchange shall be signed by or on behalf of the Issuer.

9. **CONDITIONS APPLY**

Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall in all respects (except as otherwise provided herein) be entitled to the same benefits as if it were the bearer of Definitive Notes and the relative Coupons in the form set out in Exhibit E to the Fiscal Agency Agreement.

10. **CLEARING SYSTEMS**

Each person (other than Euroclear or Clearstream, Luxembourg (each a "**Clearing System**")) who is for the time being shown in the records of a Clearing System as the holder of a particular nominal amount of the Notes represented by this Global Note (each an "**Accountholder**") (in which regard any certificate or other document issued by a Clearing System as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of this Global Note in accordance with and subject to the terms of this Global Note and the Fiscal Agency Agreement.

11. **PRESCRIPTION**

Claims in respect of principal and interest in respect of this Global Note will become void unless it is presented for payment within a period of ten years from the appropriate Interest Payment Date.

12. **NOTICES**

So long as the Notes are represented by this Global Note, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or, as the case may be, Clearstream, Luxembourg for communication by them to Accountholders in

substitution for publication as required by the Conditions **provided that** the requirements of the Icelandic Stock Exchange have been complied with. Such notices shall be deemed to have been given to the relevant Accountholders as of the seventh day after the day on which they are given to Euroclear or, as the case may be, Clearstream, Luxembourg or, as the case may be, they are dispatched by the Fiscal Agent.

13. **GOVERNING LAW**

This Global Note is governed by, and shall be construed in accordance with Icelandic law.

The Issuer irrevocably agrees that any dispute arising out of this Global Note shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (*Héraðsdómur Reykjavíkur*).

Legal action taken under this Global Note may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991 (*Lög um meðferð einkamála*), Chapter 17.

This Global Note shall not be valid unless authenticated by Islandsbanki HF as Fiscal Agent.

IN WITNESS WHEREOF, the Issuer has caused this Global Note to be signed on its behalf.

Issued as of

HOUSING FINANCING FUND

as Issuer

By:
Authorised Officer

Authenticated without recourse, warranty or liability by Islandsbanki HF as Fiscal Agent.

By:
Authorised Officer

SCHEDULE 1

Part A Interest Payments

Date made	Interest payment date	Total amount of interest payable	Amount of interest paid	Confirmation of payment by or on behalf of the Issuer
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Part B
Redemption, Purchases and Cancellations

Date made	Part of nominal amount of this Global Note purchased and cancelled	Amount of principal paid	Remaining nominal amount of this Global Note following such redemption or purchase and cancellation[*]	Confirmation of redemption or purchase and cancellation by or on behalf of the Issuer

^{*} See most recent entry in Part II of this Schedule One or in Schedule Two in order to determine this amount.

SCHEDULE 2

EXCHANGES FOR DEFINITIVE NOTES OR PERMANENT GLOBAL NOTE

The following exchanges of a part of this Global Note for Definitive Notes or a part of a Permanent Global Note have been made:

Date made	Nominal amount of this Global Note exchange for Definitive Notes or a part of a Permanent Global Note	Remaining nominal amount of this Global Note following such exchange *	Notation made by or on behalf of the Issuer
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* See most recent entry in Part II or III of Schedule One or in this Schedule Two in order to determine this amount.

EXHIBIT C
Form of Permanent Global Note

ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**")) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

HOUSING FINANCING FUND
ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]
PERMANENT GLOBAL NOTE

1. INTRODUCTION

This Note is a Permanent Global Note in respect of a duly authorised issue of 3.75 per cent. Notes due [date] (the "**Notes**") of Housing Financing Fund (the "**Issuer**") in an aggregate principal amount of [amount] in the denomination of ISK 1.

2. REFERENCES TO CONDITIONS

References herein to the Conditions shall be to the Terms and Conditions of the Notes as set out in Exhibit A to the Fiscal Agency Agreement (as defined below) (the "**Conditions**"). Words and expressions defined in the Conditions shall bear the same meanings when used in this Global Note.

3. FISCAL AGENCY AGREEMENT

This Global Note is issued subject to, and with the benefit of, the Conditions and a Fiscal Agency Agreement (such Fiscal Agency Agreement as modified and/or supplemented and/or restated from time to time, the "**Fiscal Agency Agreement**") dated 7 July 2004 and made among the Issuer and Islandsbanki HF as the Fiscal Agent and Principal Paying Agent.

4. PROMISE TO PAY

The Issuer, subject to and in accordance with the Conditions and the Fiscal Agency Agreement, agrees to pay to the bearer hereof the principal sums calculated in accordance with the Conditions on the dates specified in the Conditions and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions and the Fiscal Agency Agreement, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions and the Fiscal Agency Agreement together with any other sums payable under the Conditions and the Fiscal Agency Agreement, upon presentation and, at maturity, surrender of this Global Note at the specified office of the Fiscal Agent at ID 550500-3530, Kirkjusandur, 155 Reykjavík, Iceland or such other specified office as

may be specified for this purpose in accordance with the Conditions or at the specified office of any of the other Paying Agents located outside the United States, its territories and possessions (except as provided in the Conditions) from time to time appointed by the Issuer in respect of the Notes.

5. **PRINCIPAL AND INTEREST**

On any payment of principal and/or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note, details of such payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such payment of principal, purchase and cancellation, the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of such Notes so purchased and cancelled. The nominal amount from time to time of this Global Note and of the Notes represented by this Global Note following any such purchase and cancellation as aforesaid or any exchange as referred to below shall be the nominal amount most recently entered in the relevant column in Part A of Schedule One hereto or in Schedule Two hereto.

6. **INCREASE IN NOMINAL AMOUNT**

On any exchange of the Temporary Global Note issued in respect of the Notes for this Global Note or any part hereof, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two hereto and the relevant space in Schedule Two hereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of this Global Note and the Notes represented by this Global Note shall be increased by the nominal amount of the Temporary Global Note so exchanged.

7. **EXCHANGE**

Global Note may be exchanged in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for Definitive Notes and Coupons in or substantially in the form set out in Exhibits D and E of the Fiscal Agency Agreement (on the basis that all the appropriate details have been included on the face of such Definitive Notes and Coupons) if (a) Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently or in fact does so; (b) any of the circumstances described in Condition 10 (*Events of Default*) occurs; or (c) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 9 (*Taxation*) or by reason of any change in the laws of the United States the Issuer is or will be required to make any withholding or deduction in

respect of the Note which would not be suffered were the Notes in definitive form and a certificate to such effect signed by the Issuer is delivered to the Fiscal Agent for display to Noteholders. Subject to at least 14 days' written notice (expiring at least 30 days after the Exchange Date (as defined in the said Temporary Global Note) being given to the Fiscal Agent, such exchange will be made upon presentation of this Global Note by the bearer hereof on any day (other than a Saturday or Sunday) on which banks are open for business in Reykjavík at the office of the Fiscal Agent specified above. The aggregate nominal amount of Definitive Notes issued upon exchange of this Global Note will be equal to the aggregate nominal amount of this Global Note. Upon such exchange, this Global Note shall be cancelled by the Fiscal Agent.

8. **CONDITIONS TO APPLY**

Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall in all respects be entitled to the same benefits as if it were the bearer of Definitive Notes and the relative Coupons in the form set out in Exhibit E to the Fiscal Agency Agreement.

9. **CLEARING SYSTEMS**

Each person (other than Euroclear or Clearstream, Luxembourg (each a "**Clearing System**")) who is for the time being shown in the records of a Clearing System as the holder of a particular nominal amount of the Notes represented by this Global Note (each an "**Accountholder**") (in which regard any certificate or other document issued by a Clearing System as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of this Global Note in accordance with and subject to the terms of this Global Note and the Fiscal Agency Agreement.

10. **PRESCRIPTION**

Claims in respect of principal and interest in respect of this Global Note will become void unless it is presented for payment within a period of ten years from the appropriate Interest Payment Date.

11. **NOTICES**

So long as the Notes are represented by this Global Note, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or, as the case may be, Clearstream, Luxembourg for communication by them to accountholders in distribution for publication as required by the conditions; **provided that** the requirements (if any) of the Icelandic Stock Exchange have been complied with. Such notices shall be deemed to have been given to the relevant Accountholders as of the seventh day after

the day on which they are given to Euroclear or, as the case may be, Clearstream, Luxembourg or, as the case may be, they are dispatched by the Fiscal Agent.

12. GOVERNING LAW

This Global Note is governed by, and shall be construed in accordance with Icelandic law.

The Issuer irrevocably agrees that any dispute arising out of this Global Note shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (*Héraðsdómur Reykjavíkur*).

Legal action taken under this Global Note may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991 (*Lög um meðferð einkamála*), Chapter 17.

This Global Note shall not be valid unless authenticated by Islandsbanki HF as Fiscal Agent.

IN WITNESS WHEREOF, the Issuer has caused this Global Note to be signed on its behalf.

Issued as of

HOUSING FINANCING FUND

as Issuer

By:
Authorised Officer

Authenticated without recourse, warranty or liability by Islandsbanki HF, as Fiscal Agent.

By:
Authorised Officer

SCHEDULE 1

Part A Interest Payments

Date made	Interest payment date	Total amount of interest payable	Amount of interest paid	Confirmation of payment by or on behalf of the Issuer

Part B
Purchases and Cancellations

Date made	Part of nominal amount of this Global Note purchased and cancelled	Amount of principal paid	Remaining nominal amount of this Global Note following such redemption or purchase and cancellation*	Confirmation of redemption or purchase and cancellation by or on behalf of the Issuer

* See most recent entry in Part II of this Schedule One or in Schedule Two in order to determine this amount.

SCHEDULE 2

Exchanges

Date made	Nominal amount of Temporary Global Note exchanged for this Global Note	Remaining nominal amount of this Global Note following such exchange[*]	Notation made by or on behalf of the Issuer
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^{*} See most recent entry in Part II or III Schedule One or in the Schedule Two in order to determine this amount.

EXHIBIT D
Form of Definitive Bearer Note

ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**")) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

HOUSING FINANCING FUND (the "**Issuer**")
ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]

[•]

[•]

This Note is one of an issue of Notes of ISK 1, each of the Issuer (the "**Notes**"). References herein to the Conditions shall be to the Terms and Conditions set out in Exhibit A to the Fiscal Agency Agreement (as defined below) (the "**Conditions**") which shall be incorporated by reference herein and have effect as if set out herein. Words and expressions defined in the Conditions shall bear the same meanings when used in this Note. This Note is issued subject to, and with the benefit of, the Conditions and a fiscal agency agreement (as modified and/or supplemented and/or restated from time to time, the "**Fiscal Agency Agreement**") dated 7 July 2004 and made among the Issuer and the Fiscal Agent and Principal Paying Agent.

The Issuer, subject to and in accordance with the Conditions and the Fiscal Agency Agreement, agrees to pay to the bearer hereof the principal sums calculated in accordance with the Conditions on the dates specified in the Conditions or on such earlier date as this Note may become due and repayable in accordance with the Conditions and the Fiscal Agency Agreement, the amount payable on redemption of this Note and to pay interest (if any) on the nominal amount of this Note calculated and payable as provided in the Conditions and the Fiscal Agency Agreement together with any other sums payable under the Conditions and the Fiscal Agency Agreement.

This Note shall not be valid unless authenticated by or on behalf of Islandsbanki HF as Fiscal Agent.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed on its behalf.

Issued as of

HOUSING FINANCING FUND

as Issuer

By:
Authorised Officer

Authenticated without recourse, warranty or liability by or on behalf of Islandsbanki HF
as Fiscal Agent

By:
Authorised Officer

EXHIBIT E
Form of Coupon

[On the front:]

ANY UNITED STATES PERSON (AS DEFINED IN THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE CODE.

HOUSING FINANCING FUND (the "Issuer")
ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]

This Coupon is payable to bearer, separately negotiable and subject to the Terms and Conditions of the said Notes. Coupon for [•] due on [•], [•].

[On the reverse of this coupon:]

Principal Paying Agent:

Islandsbanki HF
ID 550500-3530
Kirkjusandur
155 Reykjavík
Iceland

Form of Receipt

HOUSING FINANCING FUND (the "Issuer") ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]

Receipt for [currency][amount of principal instalment] due on Interest Payment Date falling in [month and year].

Such amount is payable, subject to the terms and conditions (the "**Conditions**") endorsed on the Note to which this Receipt relates (which are binding on the holder of this Receipt whether or not it is for the time being attached to such Note), against presentation and surrender of this Receipt at the specified office for the time being of any of the agents shown on the reverse of this Receipt (or any successor or additional agents appointed from time to time in accordance with the Conditions).

The Note to which this Receipt relates may, in certain circumstances specified in the Conditions, fall due for redemption before the maturity date of this Receipt. In such event, this Receipt shall become void and no payment will be made in respect hereof.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[On the reverse of the Receipt:]

Paying Agent:

Islandsbanki HF
ID 550500-3530
Kirkjusandur
155 Reykjavík
Iceland

Form of Talon

HOUSING FINANCING FUND (the "Issuer") ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]

Talon for further Coupons and Receipts.

On or after the maturity date of the final Coupon and Receipt which is (or was at the time of issue) part of the Coupon Sheet and Receipt Sheet to which this Talon is (or was at the time of issue) attached, this Talon may be exchanged at the specified office for the time being of the principal paying agent shown on the reverse of this Talon (or any successor principal paying agent appointed from time to time in accordance with the terms and conditions (the "Conditions") of the Notes to which this Talon relates) for a further Coupon Sheet and Receipt Sheet (including a further Talon but excluding any Coupons or Receipts in respect of which claims have already become void pursuant to the Conditions).

The Note to which this Talon relates may, in certain circumstances specified in the Conditions, fall due for redemption before the maturity date of such final Coupon or Receipt. In such event, this Talon shall become void and no Coupon or Receipt will be delivered in respect hereof.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.

[On the reverse of the Talon:]

Principal Paying Agent:

Islandsbanki HF
ID 550500-3530
Kirkjusandur
155 Reykjavík
Iceland

EXHIBIT F

Form of Certificate to be Presented by Euroclear or Clearstream, Luxembourg

HOUSING FINANCING FUND (the "Issuer")
ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]
(the "Notes")

This is to certify that, based solely on certifications we have received in writing, by tested telex or by electronic transmission, from member organizations appearing in our records as persons being entitled to a portion of the nominal amount set forth below (our "**Member Organizations**") substantially to the effect set forth in the temporary Global Note representing the Notes, as of the date hereof, [•] nominal amount of the above captioned Notes (i) is owned by persons that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source ("**United States persons**"), (ii) is owned by United States persons that (a) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Sections 1.165-12(c)(1)(v) ("**financial institutions**") purchasing for their own account or for resale, or (b) acquired the Notes through foreign branches of United States financial institutions and who hold the Notes through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution has agreed, on its own behalf or through its agent, that we may advise the Issuer or the Issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) is owned by United States or foreign financial institutions for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and to the further effect that United States or foreign financial institutions described in Clause (iii) above (whether or not also described in Clause (i) or (ii)) have certified that they have not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

If the Notes are of the category contemplated in Section 230.903(c)(3) of Regulation S under the Securities Act of 1933, as amended, then this is also to certify with respect to such principal amount of Notes set forth above that, except as set forth below, we have received in writing, by tested telex or by electronic transmission, from our Member Organizations entitled to a portion of such principal amount, certifications with respect to such portion, substantially to the effect set forth in the temporary Global Note representing the Notes.

We further certify (i) that we are not making available herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) any portion of the temporary Global Note excepted in such certifications and (ii) that as of the date hereof we have not received any notification from any of our Member Organizations to the effect that the statements made by such Member Organizations with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any

rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings or official enquiries are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings or enquiries.

Dated [•] 20[•]

Yours faithfully,

Euroclear Bank S.A./N.V. as operator of the Euroclear System or Clearstream,
Luxembourg,

By:

CERTIFICATE "A "
HOUSING FINANCING FUND
(the "Issuer")
ISK [AMOUNT] 3.75 PER CENT. NOTES DUE [DATE]
(the "Notes")

This is to certify that as of the date hereof, and except as set forth below, the above captioned Notes held by you for our account (i) are owned by person(s) that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source ("**United States person(s)**"), (ii) are owned by United States person(s) that (a) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(v)) ("**financial institutions**") purchasing for their own account or for resale, or (b) acquired the Notes through foreign branches of United States financial institutions and who hold the Notes through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise the Issuer or the Issuer's agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and in addition if the owner of the Notes is a United States or foreign financial institution described in Clause (iii) above (whether or not also described in Clause (i) or (ii)) this is to further certify that such financial institution has not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

If the Notes are of the category contemplated in Section 230.903(c)(2) of Regulation S under the Securities Act of 1933, as amended, (the "**Act**") then this is also to certify that, except as set forth below, the Notes are beneficially owned by (a) non U.S. person(s) or (b) U.S. person(s) who purchased the Notes in transactions which did not require registration under the Act. As used in this paragraph, the term "**U.S. person**" has the meaning given to it by Regulation S under the Act.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia) and its "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Notes held by you for our account in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

This certification excepts and does not relate to [] of such interest in the above Notes in respect of which we are not able to certify and as to which we understand exchange and delivery of definitive Notes (or, if relevant, exercise of any right or collection of any interest) cannot be made until we do so certify.

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings or official enquiries are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings or enquiries.

Dated [•] 20[•]

Yours faithfully,

Name of person making certification

By:

EXHIBIT G
Provisions for Meetings of the Noteholders

1. Definitions

In this Agreement and the Conditions, the following expressions have the following meanings:

"Block Voting Instruction" means, in relation to any Meeting, a document in the English language issued by a Paying Agent:

- (a) certifying that certain specified Notes (the **"deposited Notes"**) have been deposited with such Paying Agent (or to its order at a bank or other depositary) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Notes and notification thereof by such Paying Agent to the Issuer;
- (b) certifying that the depositor of each deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such deposited Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (c) listing the total number and (if in definitive form) the certificate numbers of the deposited Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorizing a named individual or individuals to vote in respect of the deposited Notes in accordance with such instructions;

"Chairman" means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 7 (Chairman);

"Extraordinary Resolution" means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the votes cast;

"Meeting" means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

"Proxy" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction other than:

- (a) any such person whose appointment has been revoked and in relation to whom the Fiscal Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"Relevant Fraction" means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, one more than half; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, three quarters;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, one quarter;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;
- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

- (e) to amend this definition;

"Voter" means, in relation to any Meeting, the bearer of a Voting Certificate, a Proxy or the bearer of a Definitive Note who produces such Definitive Note at the Meeting;

"Voting Certificate" means, in relation to any Meeting, a certificate in the English language issued by a Paying Agent and dated in which it is stated:

- (a) that certain specified Notes (the **"deposited Notes"**) have been deposited with such Paying Agent (or to its order at a bank or other depositary) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender of such certificate to such Paying Agent; and
- (b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the deposited Notes;

"Written Resolution" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of this Schedule, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes;

"24 hours" means a period of 24 hours including all or part of a day upon which banks are open for business in both the places where the relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"48 hours" means 2 consecutive periods of 24 hours.

2. **ISSUE OF VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS**

The holder of a Note may obtain a Voting Certificate from any Paying Agent or require any Paying Agent to issue a Block Voting Instruction by depositing such Note with such Paying Agent or arranging for such Note to be (to its satisfaction) held to its order or under its control or blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate or Block Voting Instruction shall be valid until the release of the deposited Notes to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

3. **REFERENCES TO DEPOSIT/RELEASE OF NOTES**

Where Notes are represented by the Temporary Global Note and/or the Permanent Global Note or are held in definitive form within a clearing system, references to the deposit, or release, of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

4. **VALIDITY OF BLOCK VOTING INSTRUCTIONS**

A Block Voting Instruction shall be valid only if it is deposited at the Specified Office of the Fiscal Agent, or at some other place approved by the Fiscal Agent, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Fiscal Agent requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Fiscal Agent shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

5. **CONVENING OF MEETING**

The Issuer may convene a Meeting at any time, and shall be obliged to do so upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes.

6. **NOTICE**

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer). The notice shall set out the full text of any resolutions to be proposed and shall state that the Notes may be deposited with, or to the order of, any Paying Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

7. **CHAIRMAN**

An individual (who may, but need not, be a Noteholder) nominated in writing by the Issuer may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

8. **QUORUM**

The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes; **provided, however, that**, so long as at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes is represented by the Temporary

13. **SHOW OF HANDS**

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

14. **POLL**

A demand for a poll shall be valid if it is made by the Chairman, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

15. **VOTES**

Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, one vote in respect of each ISK 100,000 in aggregate face amount of the outstanding Note(s) represented or held by the Voter.

In the case of a voting tie the Chairman shall have a casting vote.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which the Voter exercises in the same way.

16. **VALIDITY OF VOTES BY PROXIES**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, **provided that** the Fiscal Agent has not been notified in writing of such amendment or revocation by the time which is 24 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; **provided, however, that** no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction Proxy to vote at the Meeting when it is resumed.

17. **POWERS**

A Meeting shall have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (a) to approve any Reserved Matter;
- (b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (c) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes;
- (d) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or any act or omission which might otherwise constitute an event of default under the Notes;
- (e) to authorize the Fiscal Agent or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (f) to give any other authorization or approval which is required to be given by Extraordinary Resolution; and
- (g) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

18. **EXTRAORDINARY RESOLUTION BINDS ALL HOLDERS**

An Extraordinary Resolution shall be binding upon all Noteholders, Couponholders and holders of Talons and Receipts whether or not present at such Meeting and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer) within 14 days of the conclusion of the Meeting.

19. **MINUTES**

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be prima facie evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarized and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

20. **WRITTEN RESOLUTION**

A Written Resolution shall take effect as if it were an Extraordinary Resolution.