

**EXECUTION VERSION**

**AMENDED AND RESTATED**

**GUARANTEED INVESTMENT CONTRACT**

**ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND  
as the Fund**

**and**

**ARION BANK HF.  
as the Cash Manager and the GIC Provider**

**and**

**DEUTSCHE TRUSTEE COMPANY LIMITED  
as the Representative**

**20 January 2012**

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**THIS AGREEMENT** is dated 20 January, 2012

**BETWEEN:**

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

**WHEREAS:**

- (A) By resolutions of Covered Bondholders of each Series of the Covered Bonds issued pursuant to the Programme (the **Bondholders' Resolutions**) passed on or around the date hereof, the Covered Bondholders' authorised the Representative, on behalf of the Covered Bondholders, to, *inter alia*, amend and restate this Agreement in accordance with the provisions set out below.
- (B) As part of the transactions contemplated in the Programme, the Seller has agreed to sell Loans and their Related Security to the Fund pursuant to the terms of the Mortgage Sale Agreement.
- (C) The Fund is an institutional investment fund established pursuant to Article 4 of Act No. 30/2003 on Undertaking for Collective Investment in Transferable Securities and Investment Funds, to be replaced by Article 4 of Act No. 128/2011 on Undertaking for Collective Investment in Transferable Securities and Investment Funds and Institutional Investor Funds with effect from 1 November, 2011. The day-to-day operations of the Fund are managed by Stefnir hf. formerly Kaupthing Asset Management Company hf. (the **Management Company**). The Management Company shall execute this Agreement on behalf of the Fund in accordance with the terms of the Articles of Association of the Fund, but in doing so it is hereby acknowledged and agreed that the Management Company shall not assume or have any obligations or liabilities to any other party under this Agreement.
- (D) The Fund proposes to fund its purchase of the Loans and their Related Security by, amongst other things, drawings under the Term Advances provided by the Issuer pursuant to the Intercompany Loan Agreement, which in turn will be funded by the Issuer by the proceeds of the Covered Bonds issued by the Issuer from time to time under the Programme.
- (E) The Cash Manager has agreed, pursuant to the Cash Management Agreement, to provide Cash Management Services in connection with the business of the Fund.
- (F) The Cash Management Agreement provides that the Fund shall invest its liquid funds from time to time in interest bearing accounts and the GIC Provider is willing to provide such an account pursuant to and on the terms of this Agreement and the Bank Account Agreement.
- (G) This Agreement replaces the Guaranteed Investment Contract dated 29 March, 2006.

**IT IS HEREBY AGREED** as follows:

1. **DEFINITIONS AND INTERPRETATION**

- 1.1 The master definitions and construction agreement made between, *inter alia*, the parties to this Agreement on 20 January, 2012 (as the same may be amended, varied and/or supplemented from time to time, the Master Definitions and Construction Agreement) is expressly and specifically incorporated

into this Agreement and, accordingly, the expressions defined in the Master Definitions and Construction Agreement (as so amended, varied and/or supplemented) shall, except where the context otherwise requires and save where otherwise defined herein, have the same meanings in this Agreement, including the recitals hereto and this Agreement shall be construed in accordance with the interpretation provisions set out in Clause 2 of the Master Definitions and Construction Agreement.

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

## 2. **THE GIC ACCOUNT**

The GIC Provider confirms that (on the instructions of the Fund) the GIC Account has been opened in its books in the name of the Fund, and it agrees to accept on deposit in the GIC Account all monies transferred, from time to time, to the GIC Account, subject to and upon the terms of this Agreement, the Bank Account Agreement, the Cash Management Agreement and the Fund Deed.

## 3. **INTEREST**

- 3.1 Interest shall accrue daily on the GIC Balance and shall be paid monthly in arrear on the first day of the following month (or if such day is not a Business Day, the next succeeding Business Day) at a rate of interest equal to the GIC Rate (calculated on the basis of the actual number of days elapsed and a 365 day year) by payment for value on the same day to the GIC Account or such other accounts as the Fund shall specify.

- 3.2 On any day on which interest is payable by the GIC Provider under this Agreement, the GIC Provider shall pay the amount of interest then due in immediately available, freely transferable, cleared funds by no later than the close of business on that day (or if such day is not a Business Day, the next succeeding Business Day).

- 3.3 In the event that a Fund Acceleration Notice is served on the Fund, then, on the date of such Fund Acceleration Notice, the GIC Provider shall pay to the Representative the aggregate of all interest accrued on the GIC Account on each day during the month in which such Fund Acceleration Notice is served up to (but excluding) the date of such Fund Acceleration Notice. As and from the date of such Fund Acceleration Notice, the GIC Provider shall comply with the directions of the Representative in relation to the GIC Account given in accordance with this Agreement.

## 4. **WITHDRAWALS AND DEPOSITS**

- 4.1 Subject always to the provisions of the Cash Management Agreement, the Bank Account Agreement and the Fund Deed, the Fund, or the Cash Manager on behalf of the Fund, may on any Business Day give notice to the GIC Provider that it wishes to withdraw on such date all or part of the GIC Balance from the GIC Account and the GIC Provider shall comply with such notice and pay the amount specified in such notice to the account specified therein, provided that if any such notice is received after 12 noon (Reykjavik time) on any day it shall be deemed to have been received at the opening of business on the next following Business Day.

- 4.2 The Fund may deposit, or procure the deposit of, sums in the GIC Account, to the extent permitted by the terms of the Cash Management Agreement, the Bank Account Agreement and the Fund Deed, and the GIC Provider agrees to accept and credit to the GIC Account such sums in accordance with the terms hereof.

## 5. **TERMINATION**

- 5.1 Following termination of the Bank Account Agreement and/or closing of the GIC Account in accordance with Clause 7 (*Termination*) of the Bank Account Agreement, the Fund or the Representative may terminate this Agreement by serving a written notice of termination on the GIC Provider.

## 5.2 **Termination by GIC Provider**

The GIC Provider may terminate this Agreement and cease to carry out its obligations in respect of the GIC Account:

- (a) on giving not less than six months' prior written notice thereof ending on any Business Day which does not fall on a Fund Payment Date or less than 10 Business Days before a Fund Payment Date to each of the other parties hereto without assigning any reason therefor; or
- (b) on giving not less than three months' prior written notice thereof ending on any Business Day which does not fall on a Fund Payment Date or less than 10 Business Days before a Fund Payment Date to each of the other parties hereto if the GIC Provider has demanded payment of its due charges or any interest and the same has remained unpaid for a period of one month, provided that if the relevant amounts have been paid on or before the date six weeks after the date of delivery of such notice then the notice shall have no effect,

provided that such termination shall not take effect until a replacement financial institution or institutions being an authorised institution under Act 161/2002 on Financial Undertakings has entered into an agreement in form and substance similar to this Agreement.

The GIC Provider shall not be responsible for any costs or expenses occasioned by such termination and cessation. In the event of such termination and cessation the GIC Provider shall assist the other parties hereto to effect an orderly transition of the banking arrangements documented hereby.

## 6. **WARRANTIES**

- 6.1 The GIC Provider warrants to the Fund and the Representative at the date hereof, on each date on which an amount is credited to the GIC Account and on each Fund Payment Date, that it is duly established under the laws of Iceland and is an institution authorised to carry on banking business (including accepting deposits) under Act 161/2002 on Financial Undertakings.
- 6.2 The GIC Provider undertakes to notify the Fund and the Representative immediately if, at any time during the term of this Agreement, either of the statements contained in Clause 6.1 ceases to be true. The warranties set out in Clause 6.1 shall survive the signing and delivery of this Agreement.

## 7. **ASSIGNMENT**

Save as otherwise contemplated in this Agreement or the Cash Management Agreement, no party hereto (other than the Representative) may assign or transfer any of its rights or obligations hereunder without the prior written consent of the Representative. In any event any assignee of the GIC Provider must be an institution authorised to carry on banking business (including accepting deposits) under Act 161/2002 on Financial Undertakings.

## 8. **AGENCY**

The GIC Provider agrees and confirms that, unless otherwise notified by the Fund or the Representative, the Cash Manager, as agent of the Fund, may act on behalf of the Fund under this Agreement.

## 9. **INFORMATION**

The GIC Provider shall provide to the Representative, or procure the provision to the Representative of, such information and evidence in respect of any dealing between the Fund and the GIC Provider or otherwise under or in relation to this Agreement as the Representative may reasonably request and the Fund hereby waives any right or duty of confidentiality which it may have or which may be owed to it by the GIC Provider in respect of the disclosure of such information and evidence pursuant to this Clause 9.

10. **PAYMENTS AND WITHHOLDINGS**

The parties agree that payments required to be made hereunder shall be made in accordance with Clause 2 of the Bank Account Agreement and that Clauses 13 and 14 of the Bank Account Agreement shall, to the extent that it relates to the GIC Account, be incorporated in and shall apply to, *mutatis mutandis*, this Agreement (and for this purpose references to any "Account Bank" shall be deemed to be the Account Bank at which the GIC Account is maintained from time to time) such that all payments to be made by the GIC Provider hereunder will be made upon the terms and subject to the same conditions as are set out in Clauses 13 and 14 of the Bank Account Agreement.

11. **NOTICES**

11.1 Any notices to be given pursuant to this Agreement to any of the parties hereto shall be sufficiently served if sent by prepaid first class post, by hand or facsimile transmission and shall be deemed to be given (in the case of facsimile transmission) when despatched (where delivered by hand) on the day of delivery if delivered before 5.00 p.m. on a Business Day or on the next Business Day if delivered thereafter or on a day which is not a Business Day or (in the case of first class post) when it would be received in the ordinary course of the post and shall be sent:

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

or to such other address or facsimile number or for the attention of such other person or entity as may from time to time be notified by any party to the others by written notice in accordance with the provisions of this Clause 11.

11.2 Notwithstanding Clause 11.1 above and provided that each give their prior consent to such delivery, any party to this Agreement may send notice to or otherwise communicate with any of the other parties to this Agreement by electronic mail. However, the electronic transmission of information cannot be guaranteed to be secure or virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Each of the parties to this Agreement shall be deemed: (i) to have received any electronic mail sent by the any other party to this Agreement pursuant to the terms of this Clause 11.2 subject to the risks (including the security risks of interception, unauthorised access, corruption or viruses) of communications via electronic mail; and (ii) to have performed reasonable virus checks required in connection with the receipt of electronic mail. Each party to this Agreement shall be responsible for protecting its own systems and interests in relation to electronic communications and each party to this Agreement (in each case including their respective directors, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between such parties and any party's reliance on such information. The exclusion of liability in the previous clause shall not apply to the extent that any liability arises out of acts, omissions or misrepresentations which are in any case criminal, dishonest or fraudulent on the part of their respective directors, partners, employees, agents or servants.

12. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts (manually or by facsimile), and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute but one and the same instrument.

13. **THE REPRESENTATIVE**

13.1 If there is any change in the identity of the Representative in accordance with the Representative and Agency Agreement, the Fund, the Cash Manager and the GIC Provider shall execute such documents and take such action as the successor Representative and the outgoing Representative may reasonably require for the purpose of vesting in the successor Representative the rights and powers of the outgoing Representative under this Agreement.

13.2 It is hereby acknowledged and agreed that by its execution of this Agreement the Representative shall not assume or have any obligations or liabilities to the Fund, the Cash Manager or the GIC Provider under this Agreement notwithstanding any provision herein and that the Representative has agreed to become a party to this Agreement for the purpose only of taking the benefit of this Agreement and agreeing to amendments to this Agreement pursuant to Clause 14. For the avoidance of doubt, the parties to this Agreement acknowledge that the rights and powers of the Representative are governed by the Representative and Agency Agreement. Any liberty or right which may be exercised or determination which may be made under this Agreement by the Representative may be exercised or made in the Representative's absolute discretion without any obligation to give reasons therefor and the Representative shall not be responsible for any liability occasioned by so acting but subject always to the provisions of Clause 12.6 of the Representative and Agency Agreement.

14. **AMENDMENTS**

Any amendment, modification or variation to this Agreement will be made only with the prior written consent of each party to this Agreement.

15. **GOVERNING LAW AND JURISDICTION**

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

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

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



**SIGNATORIES**

**The Fund**

**ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND**

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

**The Cash Manager and the GIC Provider**

**ARION BANK HF.**

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

**The Representative**

**DEUTSCHE TRUSTEE COMPANY LIMITED**

By: Angelique Garvey  
Name:  
Title: ~~Associate Director~~  
  
S Ferawson  
Name: S Ferawson  
Title: Associate Director