

EXECUTION VERSION

AMENDED AND RESTATED

CASH MANAGEMENT AGREEMENT

ARION BANK HF.
as the Cash Manager, the Seller and the Servicer

and

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND
as the Fund

and

DEUTSCHE TRUSTEE COMPANY LIMITED
as the Representative

20 January 2012

CONTENTS

Clause		Page
1.	Definitions and Construction	1
2.	Appointment of Cash Manager	2
3.	The Cash Management Services	2
4.	Payments, Accounts, Ledgers	3
5.	Third Party Amounts	4
6.	Information	4
7.	Remuneration.....	6
8.	Costs and Expenses	6
9.	Covenants of Cash Manager	6
10.	Services Non-Exclusive	7
11.	Termination.....	7
12.	Further Assurance, No Set-Off.....	9
13.	Representative	10
14.	Confidentiality	10
15.	Notices	11
16.	Amendments, Variation and Waiver.....	12
17.	Assignment	12
18.	Counterparts.....	12
19.	Governing Law and Submission to Jurisdiction	12
 Schedules		
1.	The Cash Management Services	14
2.	Cash Management and Maintenance of Ledgers	17
Signatories		21

THIS AGREEMENT is dated 20 January, 2012

BETWEEN:

- (1) **ARION BANK HF.**, ID number 581008-0150, a public limited company incorporated under the laws of Iceland whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (in its capacity as the **Cash Manager**, the **Seller** and the **Servicer**);
- (2) **ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND**, ID number 570106-9610, an institutional investment fund established under the laws of Iceland whose registered office is at Borgartun 19, 105 Reykjavik, Iceland (referred to herein as the **Fund**); 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) On each Issue Date the Issuer will issue Covered Bonds under the Programme.
- (C) The Issuer will apply the proceeds of the issue of Covered Bonds to make available Term Advances to the Fund, subject to the terms of the Intercompany Loan Agreement.
- (D) The Fund will acquire Loans and their Related Security from the Seller from time to time pursuant to the Mortgage Sale Agreement.
- (E) The Fund has agreed to guarantee the obligations of the Issuer under the Covered Bonds pursuant to the terms of the Covered Bond Guarantee.
- (F) The Cash Manager will provide cash management services to the Fund and the Representative on the terms and subject to the conditions contained in this Agreement.
- (G) 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.
- (H) This Agreement replaces the Cash Management Agreement dated 29 March, 2006.

IT IS HEREBY AGREED as follows:

1. **DEFINITIONS AND CONSTRUCTION**

- 1.1 The master definitions and construction agreement made between, *inter alios*, the parties to this Agreement on 20 January, 2012 (as the same may be amended, varied 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 shall constitute integral parts of this Agreement and shall be read with it for all purposes and intents.

2. **APPOINTMENT OF CASH MANAGER**

2.1 **Appointment**

Until termination pursuant to Clause 11, the Fund hereby appoints the Cash Manager as its lawful agent to provide the Cash Management Services set out in this Agreement and the Cash Manager hereby accepts such appointment on the terms and subject to the conditions of this Agreement.

2.2 **Duties prescribed by Transaction Documents**

For the avoidance of doubt and in connection with the appointment made pursuant to Clause 2.1, save as expressly provided elsewhere in this Agreement, nothing herein shall be construed so as to give the Cash Manager any powers, rights, authorities, directions or obligations other than as specified in this Agreement and the other Transaction Documents.

2.3 **Appointment conditional upon issuance of Covered Bonds**

The appointment made pursuant to Clause 2.1 is conditional upon the passing of the Noteholders' Resolutions.

3. **THE CASH MANAGEMENT SERVICES**

3.1 **General**

The Cash Manager shall provide the services set out in this Agreement and the Schedules annexed hereto (the **Cash Management Services**) provided that, for the avoidance of doubt, the Cash Manager shall not provide any Cash Management Services which the Management Company or the Custody Agent is obliged to provide to the Fund as a matter of Icelandic law and/or pursuant to the terms of the Articles of Association of the Fund.

3.2 **Approvals and authorisations**

The Cash Manager shall maintain, or procure the maintenance of, all approvals, authorisations, consents and licences required in connection with the business of the Fund that is the subject of this Agreement and shall prepare and submit, or procure the preparation and submission of, on behalf of the Fund, all necessary applications and requests for any further approvals, authorisations, consents or licences which may be required in connection with the business of the Fund that is the subject of this Agreement and shall, so far as it is reasonably able to do so, perform the Cash Management Services in such a way as not to prejudice the continuation of any such approvals, authorisations, consents or licences.

3.3 **Liability of Cash Manager**

(a) Save as otherwise provided in this Agreement, the Cash Manager shall have no liability for the obligations of the Fund, the Representative and/or any other person under any of the other Transaction Documents or otherwise and nothing herein shall constitute a guarantee, indemnity or similar obligation by or of the Cash Manager of or in relation to the obligations of either the Fund, the Representative and/or any other person under the other Transaction Documents.

- (b) The Cash Manager shall not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by the Fund, the Representative and/or any other person as a result of the proper performance of the Cash Management Services by the Cash Manager save to the extent that such loss, liability, claim, expense or damage is suffered or incurred as a result of any negligence, bad faith or wilful default of the Cash Manager or as a result of a breach by the Cash Manager of the terms and provisions of this Agreement or any of the other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.
- (c) The Cash Manager shall indemnify each of the Fund and the Representative on demand for any loss, liability, claim, expense or damage suffered or incurred by either of them in respect of the negligence, bad faith or wilful default of the Cash Manager in carrying out its functions as Cash Manager under this Agreement or under the other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions or as a result of a breach by the Cash Manager of the terms and provisions of this Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.

4. PAYMENTS, ACCOUNTS, LEDGERS

4.1 Establishment of GIC Account

The Cash Manager hereby confirms that the GIC Account has been established on or before the date hereof pursuant to the Bank Account Agreement and the Guaranteed Investment Contract and that the GIC Account Mandate in the agreed form will apply thereto as at the Programme Date. The Cash Manager undertakes (so far as it is able to procure the same) that as at the date hereof the GIC Account will be operative and that the Cash Manager will not create or permit to subsist any security interest in relation to the GIC Account.

4.2 Ledgers

- (a) The Cash Manager shall open and maintain in the books of the Fund certain Ledgers to be known as:

- (i) the Revenue Ledger;
- (ii) the Unit Account Ledger;
- (iii) the Reserve Ledger; and
- (iv) the Payment Ledger,

and all the foregoing Ledgers shall together reflect the aggregate of all amounts of cash standing to the credit of the GIC Account and all amounts invested in Substitution Assets and Authorised Investments purchased from amounts standing to the credit of the GIC Account from time to time.

- (b) The Cash Manager shall also open and maintain in the books of the Fund the Intercompany Loan Ledger which shall record amounts repaid in respect of each Term Advance borrowed under the Facility made available to the Fund pursuant to the terms of the Intercompany Loan Agreement. The Intercompany Loan Ledger shall consist of one sub-ledger for each Term Advance which is made.
- (c) The Cash Manager shall make credits and debits to the Ledgers in accordance with Schedule 2.

4.3 Bank Accounts

- (a) The Cash Manager shall procure that the following amounts are paid into the GIC Account:
 - (i) all Revenue Receipts;
 - (ii) all Cash Equity Contributions; and
 - (iii) any other amounts whatsoever received by or on behalf of the Fund after the Programme Date.
- (b) The Cash Manager shall procure that all interest earned on the GIC Account and all investment proceeds from Substitution Assets and/or Authorised Investments purchased from amounts standing to the credit of the GIC Account are credited to the GIC Account.
- (c) The Cash Manager shall procure that the proceeds of each Term Advance are applied in accordance with Clause 3.1 of the Intercompany Loan Agreement.
- (d) Each of the payments into the GIC Account shall be made forthwith upon receipt by the Fund or the Cash Manager, as the case may be, of the amount in question.
- (e) For the avoidance of doubt, as soon as reasonably practicable after becoming aware of the same, the Cash Manager shall withdraw moneys from the GIC Account if and to the extent that such moneys were credited thereto in error and shall use its reasonable endeavours to ensure that such moneys are applied correctly thereafter.
- (f) The Cash Manager shall promptly notify each of the Fund and the Representative of any additional account which supplements or replaces the GIC Account and each of the parties hereto agrees to make any amendments to this Agreement that are required as a result of the establishment of any supplemental account.
- (g) Each of the Cash Manager and the Fund undertakes that, so far as it is able to procure the same the GIC Account and all instructions and Mandates in relation thereto will continue to be operative and will not, save as permitted pursuant to the Bank Account Agreement, be changed without the prior written consent of the Representative (such consent not to be unreasonably withheld or delayed). For the avoidance of doubt, the Cash Manager may change the authorised signatories in respect of any instructions or Mandates relating to the GIC Account, without the prior written consent of the Representative, in accordance with Clause 3.2 of the Bank Account Agreement.

4.4 **Bank Account Statements**

The Cash Manager shall take all reasonable steps to ensure that it receives a monthly bank statement in relation to the GIC Account and that it furnishes a copy of such statements to the Fund and the Representative.

5. **THIRD PARTY AMOUNTS**

The Cash Manager shall withdraw any Third Party Amounts received by the Fund and standing to the credit of the GIC Account and pay the same to the relevant entity entitled to those Third Party Amounts provided that there are sufficient amounts standing to the credit of the GIC Account to meet such payment. Third Party Amounts due to the Seller shall be paid by bank account transfer to such account as may be specified by the Seller from time to time, promptly following a request for such withdrawal being received from the Seller.

6. **INFORMATION**

6.1 **Use of I.T. systems**

- (a) The Cash Manager represents and warrants that at the date hereof in respect of the software which is to be used by the Cash Manager in providing the Cash Management Services it has in place all necessary licences and/or consents from the respective licensor or licensors (if any) of such software.
- (b) The Cash Manager undertakes that it shall for the duration of this Agreement, use reasonable endeavours to:
 - (i) ensure that the licences and/or consents referred to in paragraph (a) are maintained in full force and effect; and
 - (ii) except in so far as it would breach any other of its legal obligations, grant to any person to whom it may sub-contract or delegate the performance of all or any of its powers and obligations under this Agreement and/or to such person as the Fund elects as a substitute cash manager in accordance with the terms of this Agreement a licence to use any proprietary software together with any updates which may be made thereto from time to time.
- (c) The Cash Manager shall use reasonable endeavours to maintain in working order the information technology systems used by the Cash Manager in providing the Cash Management Services.
- (d) The Cash Manager shall pass to any person to whom it may sub-contract or delegate the performance of all or any of its powers and obligations under this Agreement and/or to such person as the Fund and the Representative may select as a substitute cash manager in accordance with the terms of this Agreement the benefit of any warranties in relation to the software insofar as the same are capable of assignment.

6.2 Access to Books and Records

Subject to all applicable laws, the Cash Manager shall permit the auditors of the Fund, the Representative and any other person nominated by the Representative (to whom the Cash Manager has no reasonable objection) at any time during normal office hours upon reasonable notice to have access, or procure that such person or persons are granted access, to all books of record and account relating to the Cash Management Services provided by the Cash Manager and related matters in accordance with this Agreement.

6.3 Information Covenants

- (a) With the assistance of the Servicer, the Cash Manager shall prepare and provide the Fund, the Representative and the Seller with the Monthly Asset Coverage Report within two Business Days of each Fund Payment Date.
- (b) The Cash Manager shall provide details of: (i) any material amendment to the Transaction Documents; and (ii) any other information relating to the Cash Manager as the Representative may reasonably request in connection with its obligations under this Agreement, provided that the Representative shall not make such a request more than once every three months unless, in the reasonable belief of the Representative, an Issuer Event of Default or Potential Issuer Event of Default or a Fund Event of Default or Potential Fund Event of Default or a Cash Manager Termination Event (as defined in Clause 11.1) has occurred and is continuing, and provided further that such request does not adversely interfere with the Cash Manager's day to day provision of the Cash Management Services under the other terms of this Agreement.
- (c) The Cash Manager shall, at the request of the Representative, furnish the Representative with such other information relating to its business and financial condition as it may be reasonable for the Representative to request in connection with this Agreement, provided that such

request does not adversely interfere with the Cash Manager's day to day provision of the Cash Management Services under the other terms of this Agreement.

7. REMUNERATION

7.1 Fee payable

- (a) Subject to paragraph (b) below, the Fund shall pay to the Cash Manager for its Cash Management Services hereunder a cash management fee which shall be agreed in writing between the Fund and the Cash Manager from time to time.
- (b) Unless and until otherwise agreed by the Fund in writing (notified to the Cash Manager), the Fund shall be solely responsible for paying the cash management fee to the Cash Manager which is referred to in paragraph (a) above.

7.2 Payment of fee

The cash management fee referred to in Clause 7.1 shall be paid to the Cash Manager in arrear on each Fund Payment Date in the manner contemplated by and in accordance with the provisions of the applicable Priorities of Payments.

8. COSTS AND EXPENSES

8.1 Subject to and in accordance with the applicable Priorities of Payments, the Fund will on each Fund Payment Date reimburse the Cash Manager for all reasonable out-of-pocket costs, expenses and charges properly incurred by the Cash Manager in the performance of the Cash Management Services including any such costs, expenses or charges not reimbursed to the Cash Manager on any previous Fund Payment Date.

8.2 Unless and until otherwise agreed by the Fund in writing (notified to the Cash Manager), the Fund shall be solely responsible for reimbursing the Cash Manager for the reasonable out-of-pocket costs, expenses and charges referred to in Clause 8.1 above.

9. COVENANTS OF CASH MANAGER

9.1 Covenants

The Cash Manager hereby covenants with and undertakes to each of the Fund and the Representative that without prejudice to any of its specific obligations hereunder:

- (a) it will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions hereunder;
- (b) it will comply with any proper directions, orders and instructions which the Fund or the Representative may from time to time give to it in accordance with the provisions of this Agreement and, in the event of any conflict, those of the Representative shall prevail;
- (c) it will use its reasonable endeavours to keep in force all licences, approvals, authorisations and consents which may be necessary in connection with the performance of the Cash Management Services and prepare and submit all necessary applications and requests for any further approval, authorisation, consent or licence required in connection with the performance of the Cash Management Services;
- (d) save as otherwise agreed with the Fund and the Representative, it will provide free of charge to the Fund during normal office hours office space, facilities, equipment and staff sufficient to fulfil the obligations of the Fund under this Agreement;

- (e) it will not knowingly fail to comply with any legal requirements in the performance of the Cash Management Services;
- (f) it will make all payments required to be made by it pursuant to this Agreement on the due date for payment thereof for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim; and
- (g) it will not without the prior written consent of the Representative agree to any amendments to or termination of any of the Transaction Documents save in accordance with their terms.

9.2 **Duration of covenants**

The covenants of the Cash Manager in Clause 9.1 shall remain in force until this Agreement is terminated but without prejudice to any right or remedy of the Fund and/or the Representative arising from breach of any such covenant prior to the date of termination of this Agreement.

10. **SERVICES NON-EXCLUSIVE**

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

11. **TERMINATION**

11.1 **Cash Manager Termination Events**

- (a) If any of the following events (**Cash Manager Termination Events**) shall occur:
 - (i) the Cash Manager defaults in the payment on the due date of any payment due and payable by it under this Agreement or in the performance of its obligations under paragraph (e) of Schedule 1 and such default continues unremedied for a period of three Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Representative requiring the same to be remedied; or
 - (ii) the Cash Manager defaults in the performance or observance of any of its other covenants and obligations under this Agreement, which in the reasonable opinion of the Representative is materially prejudicial to the interests of the Covered Bondholders and such default continues unremedied for a period of 20 days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Representative requiring the same to be remedied; or
 - (iii) an Insolvency Event occurs in respect of the Cash Manager,

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

- (b) Upon termination of the appointment of the Cash Manager pursuant to this Clause 11.1, the Fund agrees to use its reasonable endeavours to appoint a substitute cash manager (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a substitute cash manager).

Any substitute cash manager:

- (i) must agree to enter into an agreement substantially on the same terms as the relevant provisions of this Agreement or on such terms as are satisfactory to the Fund and the Representative; and
- (ii) will be subject to the prior written approval of the Representative (such consent not to be unreasonably withheld, delayed or made subject to conditions).

11.2 **Resignation of Cash Manager**

The appointment of the Cash Manager under this Agreement may be terminated upon the expiry of not less than 12 months' notice of termination given by the Cash Manager to the Fund and the Representative (or such shorter time as may be agreed between the Cash Manager, the Fund and the Representative) provided that:

- (a) a substitute cash manager shall be appointed, such appointment to be effective not later than the date of such termination;
- (b) such substitute cash manager has cash management experience and is approved by the Fund and the Representative; and
- (c) the substitute cash manager enters into an agreement substantially on the same terms as the relevant provisions of this Agreement (or on such terms as are satisfactory to the Fund and the Representative) and the Cash Manager shall not be released from its obligations under the relevant provisions of this Agreement until such substitute cash manager has entered into such new agreement.

11.3 **Effect of Termination**

- (a) On and after termination of the appointment of the Cash Manager under this Agreement pursuant to this Clause 11, all authority and power of the Cash Manager under this Agreement shall be terminated and be of no further effect and the Cash Manager shall not thereafter hold itself out in any way as the agent of the Fund pursuant to this Agreement.
- (b) Upon termination of the appointment of the Cash Manager under this Agreement pursuant to this Clause 11, the Cash Manager shall:
 - (i) forthwith deliver (and in the meantime hold to the order of the Fund or the Representative, as the case may be) to the Fund or the Representative, as the case may be, or as the Fund or the Representative shall direct (and in the event of a conflict between directions from the Fund and directions from the Representative, the directions of the Representative shall prevail), all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belongings of the Fund or the Representative, as the case may be (if practicable, on the date of receipt), any moneys then held by the Cash Manager on behalf of the Fund or the Representative and any other assets of the Fund and the Representative;
 - (ii) take such further action as the Fund or the Representative, as the case may be, may reasonably direct at the expense of the Fund (including in relation to the appointment of a substitute cash manager), provided that the Fund or the Representative, as the case may be, shall not be required to take or direct to be taken such further action unless it has been indemnified to its satisfaction (and in the event of a conflict between the directions of the Fund and the directions of the Representative, the directions of the Representative shall prevail);
 - (iii) provide all relevant information contained on computer records in the form of flat file and/or upon electronic media (including, but not limited to, CD-ROM) together with

details of the layout of the files set out in such flat file and/or such electronic media;
and

- (iv) co-operate and consult with and assist the Fund or the Representative or its nominee, as the case may be, for the purposes of explaining the file layouts and the format of the flat file/electronic media containing such computer records on the computer system of the Fund or the Representative or such nominee, as the case may be.

11.4 **Notice of Event of Default**

The Cash Manager shall deliver to the Fund and the Representative as soon as reasonably practicable but in any event within three Business Days of becoming aware thereof a notice of any Cash Manager Termination Event or any event which with the giving of notice or expiry of any grace period or certification, as specified in such Cash Manager Termination Event, would constitute the same or any Intercompany Loan Event of Default.

11.5 **General provisions relating to termination**

- (a) Termination of this Agreement or the appointment of a substitute cash manager under this Agreement shall be without prejudice to the liabilities of the Fund to the Cash Manager or vice versa incurred before the date of such termination. The Cash Manager hereby agrees that it shall have no right of set-off or any lien in respect of such amounts against amounts held by it on behalf of the Fund.
- (b) This Agreement shall terminate automatically at such time as the Fund's obligations under the Covered Bond Guarantee have been fully discharged.
- (c) On termination of the appointment of the Cash Manager under the provisions of this Clause 11, the Cash Manager shall be entitled to receive all fees and other moneys accrued up to (but excluding) the date of termination but shall not be entitled to any other or further compensation. Such moneys so receivable by the Cash Manager shall be paid by the Fund, on the dates on which they would otherwise have fallen due hereunder and under the terms of the Fund Deed. For the avoidance of doubt, such termination shall not affect Arion Bank hf.'s rights to receive payment of all amounts (if any) due to it from the Fund other than in its capacity as Cash Manager under this Agreement.
- (d) Any provision of this Agreement which is stated to continue after termination of the Agreement shall remain in full force and effect notwithstanding termination.

12. **FURTHER ASSURANCE, NO SET-OFF**

12.1 **Co-operation, etc**

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

12.2 **Powers of attorney**

Without prejudice to the generality of Clause 12.1, the Fund and the Representative shall upon request by the Cash Manager forthwith give to the Cash Manager such further powers of attorney or other written authorisations, mandates or instruments as are necessary to enable the Cash Manager to perform the Cash Management Services.

12.3 **No set-off**

The Cash Manager agrees that it will not:

- (a) set off or purport to set off any amount which the Fund is or will become obliged to pay to it under this Agreement against any amount from time to time standing to the credit of or to be credited to the GIC Account or any replacement or additional bank account of the Fund; or
- (b) make or exercise any claims or demands, any rights of counterclaim or any other equities against or withhold payment of any and all sums of money which may at any time and from time to time be standing to the credit of the GIC Account or any replacement of additional bank account of the Fund.

12.4 Acknowledgement of Servicer and Seller

Each of the Servicer and the Seller acknowledge the Cash Management Services to be provided by the Cash Manager and agree to provide all information and assistance reasonably required by the Cash Manager in a timely fashion in order for the Cash Manager to comply with its obligations under this Agreement.

12.5 New parties

Each of the parties hereto agrees to make all changes that are reasonably necessary or desirable to this Agreement following the accession of a New Seller and/or New Servicer to the transaction constituted by the Transaction Documents.

13. REPRESENTATIVE

13.1 Change of Representative

In the event that there is any change in the identity of the Representative, as the case may be, the Cash Manager shall execute such documents with any other parties to this Agreement and take such actions as such new Representative may reasonably require for the purposes of vesting in such new Representative the rights of the Representative under this Agreement and under the Representative and Agency Agreement.

13.2 Representative Liability

- (a) For the avoidance of doubt, the Representative shall not be liable to pay any amounts due under Clauses 7 and 8, and without prejudice to the obligations of the Fund, in respect of such amounts.
- (b) 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 Cash Manager or the Fund 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 16. 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. CONFIDENTIALITY

During the continuance of this Agreement or after its termination, each of the Fund, the Cash Manager, the Seller, the Servicer and the Representative shall use its best endeavours not to disclose to any person, firm or company whatsoever any information relating to the business, finances or other matters of a confidential nature of any other party hereto of which it may exclusively by virtue of being party to

the Transaction Documents have become possessed and shall use all reasonable endeavours to prevent any such disclosure as aforesaid, provided however that the provisions of this Clause 14 shall not apply:

- (a) to any information already known to the recipient otherwise than as a result of entering into any of the Transaction Documents;
- (b) to any information subsequently received by the recipient which it would otherwise be free to disclose;
- (c) to any information which is or becomes public knowledge otherwise than as a result of the conduct of the recipient;
- (d) to any extent that the recipient is required to disclose the same pursuant to any law or order of any court of competent jurisdiction or pursuant to any direction, request or requirement (whether or not having the force of law) of any central bank or any governmental or other authority (including, without limitation, any official bank examiners or regulators);
- (e) to the extent that the recipient needs to disclose the same for determining the existence of, or declaring, an Issuer Event of Default, a Fund Event of Default or a Cash Manager Termination Event, the protection or enforcement of any of its rights under any of the Transaction Documents or in connection herewith or therewith or for the purpose of discharging, in such manner as it thinks fit, its duties under or in connection with such agreements in each case to such persons as require to be informed of such information for such purposes;
- (f) in relation to any information disclosed to the professional advisers of the recipient or any prospective new cash manager or prospective new representative; or
- (g) to any information which the recipient is required to disclose to the Management Company and/or the Custody Agent in order for the Management Company and/or the Custody Agent to be able to comply with its duties and obligations to the Fund under Icelandic law and/or pursuant to the terms of the Articles of Association of the Fund.

15. NOTICES

15.1 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 (if by facsimile transmission) when despatched, (if delivered by hand) on the day of delivery if delivered before 17.00 hours on a Business Day or on the next Business Day if delivered thereafter or on a day which is not a Business Day or (if by 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 Cash Manager, the Seller and the Servicer, to Arion Bank hf. at Borgartun 19, 105 Reykjavik, Iceland (facsimile number: +(354) 444 6229 and email: mtndesk@arionbanki.is) for the attention of the Funding Department;
- (b) in the case of the Fund, to Arion Bank Mortgages Institutional Investor Fund at Borgartun 19, 105 Reykjavik, Iceland (facsimile number: +(354) 444 7489 and email: info@stefnir.is) for the attention of Stefnir hf. – Arion Bank Mortgages Institutional Investor Fund; and
- (c) in the case of the Representative, to Deutsche Trustee Company Limited at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom (facsimile number: ++(44) 20 7547 6149 and email: TSS-GDS.EUR@db.com) for the attention of the Managing Director,

or to such other address or facsimile number or for the attention of such other person or entity as may from time to time be notified by any party to the others by written notice in accordance with the provisions of this Clause 15.1.

- 15.2 Notwithstanding Clause 15.1 above and provided that each give their prior consent to such delivery, any party to this Agreement may send notice to or otherwise communicate with any of the other parties to this Agreement by electronic mail. However, the electronic transmission of information cannot be guaranteed to be secure or virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Each of the parties to this Agreement shall be deemed: (i) to have received any electronic mail sent by the any other party to this Agreement pursuant to the terms of this Clause 15.2 subject to the risks (including the security risks of interception, unauthorised access, corruption or viruses) of communications via electronic mail; and (ii) to have performed reasonable virus checks required in connection with the receipt of electronic mail. Each party to this Agreement shall be responsible for protecting its own systems and interests in relation to electronic communications and each party to this Agreement (in each case including their respective directors, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between such parties and any party's reliance on such information. The exclusion of liability in the previous clause shall not apply to the extent that any liability arises out of acts, omissions or misrepresentations which are in any case criminal, dishonest or fraudulent on the part of their respective directors, partners, employees, agents or servants.

16. **AMENDMENTS, VARIATION AND WAIVER**

Any amendments to this Agreement will be made only with the prior written consent of each party to this Agreement. No waiver of this Agreement shall be effective unless it is in writing and signed by (or by some person duly authorised by) each of the parties. No single or partial exercise of, or failure or delay in exercising, any right under this Agreement shall constitute a waiver or preclude any other or further exercise of that or any other right.

17. **ASSIGNMENT**

17.1 **Assignment by the Fund**

The Fund may not assign or transfer any of its respective rights and obligations under this Agreement without the prior written consent of each of the Representative and the Cash Manager.

17.2 **No assignment by Cash Manager**

The Cash Manager may not assign or transfer any of its rights and obligations under this Agreement without the prior written consent of the Fund and the Representative.

18. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts (manually or by facsimile) each of which, when executed and delivered, shall constitute an original, but all the counterparts shall together constitute but one and the same instrument provided, however, that this Agreement shall have no force or effect until it is executed by the last party to execute the same and shall be deemed to have been executed and delivered in the place where such last party executed this Agreement.

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

19.1 **Governing Law**

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

19.2 **Submission to Jurisdiction**

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

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

SCHEDULE 1

THE CASH MANAGEMENT SERVICES

The Cash Manager shall:

- (a) operate the GIC Account and ensure that payments are made into and from such accounts in accordance with this Agreement, the Fund Deed, the Bank Account Agreement, the Guaranteed Investment Contract, and any other applicable Transaction Document, provided however that nothing herein shall require the Cash Manager to make funds available to the Fund to enable such payments to be made other than as expressly required by the provisions of this Agreement and nothing herein shall constitute a guarantee, indemnity or other similar obligation by or of the Cash Manager of or in relation to all or any of the obligations of the Fund under any of the Transaction Documents;
- (b) keep any records necessary for all taxation purposes;
- (c) cause the annual accounts of the Fund to be audited by the auditors of the Fund, procure (so far as it is able so to do) that the auditors of the Fund make a report thereon as required by law and assist the auditors of the Fund and provide such information to them as they may reasonably request for the purpose of carrying out their duties as auditors;
- (d) use its reasonable endeavours, on behalf of the Fund, to assist the Custody Agent to prepare or procure the preparation of and filing of all reports, annual returns, financial statements, statutory forms and other returns which the Fund is required by law to prepare and file, procure that copies of all such documents together with each report of the auditors of the Fund referred to in paragraph (c) above are delivered to the Fund and the Representative as soon as practicable after the preparation thereof, make all determinations, give all notices and make all registrations and other notifications required in the day-to-day operation of the business of the Fund or required to be given or made by the Fund pursuant to the Transaction Documents;
- (e) make withdrawals on behalf of the Fund from the GIC Account, but only:
 - (i) if the Account Bank at which such account is maintained has confirmed to the Cash Manager that there are sufficient amounts standing to the credit of the GIC Account to make such withdrawal on such date;
 - (ii) from the Payment Ledger on the GIC Account for application in accordance with the relevant Priorities of Payments or in accordance with paragraph 4 of Schedule 2 hereto or otherwise in accordance with the Transaction Documents;
 - (iii) until the occurrence of a Fund Event of Default and service of a Fund Acceleration Notice on the Fund (copied to the Cash Manager),

respectively as permitted by and in accordance with this Agreement, the Fund Deed, the Bank Account Agreement, the Guaranteed Investment Contract, and the other Transaction Documents, but shall not in carrying out its functions as Cash Manager under this Agreement otherwise make withdrawals from the GIC Account;
- (f) provide accounting services, including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts and supervising and assisting in the preparation of tax returns;
- (g) provide or procure the provision of company secretarial and administration services to the Fund including the keeping of all registers, co-operate in the convening of management board and general meetings and provide registered office facilities;

- (h) on behalf of the Fund, provided that such moneys are at the relevant time available to the Fund, pay all the out-of-pocket expenses of the Fund, properly incurred by the Cash Manager on behalf of the Fund in the performance of the Cash Manager's duties hereunder, including without limitation:
- (i) all taxes which may be due or payable by the Fund;
 - (ii) all registration, transfer, filing and other fees and other charges payable in respect of the sale by the Seller of the Portfolio or any part of it to the Fund;
 - (iii) all necessary filing and other fees in compliance with regulatory requirements;
 - (iv) all legal and audit fees and other professional advisory fees;
 - (v) all communication expenses including postage, courier and telephone charges; and
 - (vi) following service of a Notice to Pay on the Fund, all fees payable to the Icelandic Stock Exchange and any other stock exchange on which the Covered Bonds are listed but only if the Issuer has not otherwise paid those fees;
- (i) at the written request of the Fund or with the prior written consent of the Representative, invest moneys standing from time to time to the credit of the GIC Account in Substitution Assets or Authorised Investments (any such purchase to be at the sole discretion of the Cash Manager), subject to the following provisions:
- (i) any such Substitution Assets or, as applicable, Authorised Investments shall be purchased in the name of the Fund;
 - (ii) if required by the Representative on or prior to purchasing any Substitution Assets, the Fund has entered into appropriate hedging arrangements with a hedge provider that has the requisite ratings to hedge against the interest rate risk (if any) associated with such Substitution Assets, in each case on terms that are satisfactory to the Representative; and
 - (iii) any costs properly and reasonably incurred in investing in, holding or disposing of any Substitution Assets and/or (as applicable) any Authorised Investments will be reimbursed to the Cash Manager and the Representative by the Fund;
 - (iv) all income or other distributions arising on, or proceeds following the disposal or maturity of, any Substitution Assets and/or Authorised Investments shall be credited to the GIC Account;
 - (v) the Representative and the Cash Manager shall not be responsible (save where any loss results from the Representative's or Cash Manager's own fraud, wilful default or negligence or that of its officers or employees) for any loss occasioned by reason of any such Substitution Assets or Authorised Investments whether by depreciation in value or otherwise provided that such Substitution Assets or Authorised Investments were made in accordance with the above provisions; and
 - (vi) following service of an Asset Coverage Test Breach Notice (until revoked) or a Notice to Pay on the Fund, the Cash Manager shall take all reasonable steps to sell the Substitution Assets then held in the name of the Fund and the Representative as quickly as reasonably practicable and for the best price then reasonably available and credit the proceeds thereof to the GIC Account;
- (j) procure (so far as the Cash Manager, using its reasonable endeavours, is able so to do) compliance by the Fund with all applicable legal requirements and with the terms of the Transaction Documents to which the Fund is a party, provided always that the Cash Manager shall not lend or provide any sum to the Fund and the Cash Manager shall have no liability whatsoever to the Fund, the Representative or any other person for any failure by the Fund to make any payment due, or to perform its other

obligations, under any of the Transaction Documents other than to the extent arising from the Cash Manager failing to perform any of its obligations under this Agreement (but without prejudice to the obligations of Arion Bank hf. in its separate capacities as the Servicer and the Seller);

- (k) prior to service of a Notice to Pay on the Fund, do all calculations on each Calculation Date which are required to determine whether the Portfolio is in compliance with the Asset Coverage Test in accordance with Clause 10 of the Fund Deed;
- (l) (not later than two Business Days following any Calculation Date in respect of which the Asset Monitor is obliged, in accordance with Clause 2 of the Asset Monitor Agreement, to conduct tests of the calculations performed by the Cash Manager on that Calculation Date in respect of the Asset Coverage Test) despatch to the Asset Monitor the information described in Clause 3.1 of the Asset Monitor Agreement; and
- (m) deliver to the Fund and the Representative as soon as reasonably practicable but in any event within three Business Days of becoming aware thereof a notice of any:
 - (i) Cash Manager Termination Event or any event which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a Cash Manager Termination Event;
 - (ii) Issuer Event of Default or Potential Issuer Event of Default; or
 - (iii) Fund Event of Default or any Potential Fund Event of Default.

SCHEDULE 2

CASH MANAGEMENT AND MAINTENANCE OF LEDGERS

1. **Determination**

- (a) On the Calculation Date immediately preceding each Fund Payment Date, the Fund or the Cash Manager on its behalf shall calculate the amount of Available Receipts available for distribution on the immediately following Fund Payment Date and the Reserve Fund Required Amount.
- (b) Without prejudice to the obligations of the Calculation Agent, the Cash Manager shall, if necessary, perform all currency conversions free of charge, cost or expense at the relevant exchange rate (for the purposes of any calculations referred to above: (i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (e.g. 9.876541% being rounded down to 9.87654%); and (ii) any currency amounts used in or resulting from such calculations will be rounded in accordance with relevant market practice).
- (c) Each determination made in accordance with this paragraph 1 shall (in the absence of demonstrable error) be final and binding on all persons.

2. **Notification of Determinations**

- (a) The Cash Manager may make all the determinations referred to in paragraph 1(a) on the basis that the amount of any Losses will not increase and on the basis of any other reasonable and proper assumptions as the Cash Manager considers appropriate (including without limitation as to the amount of any payments to be made or amounts received under the relevant Priorities of Payments during the period from and including the Fund Payment Date following the relevant Calculation Date to but excluding the next following Fund Payment Date).

The Cash Manager shall notify the Fund and the Representative on request of any such other assumptions and shall take account of any representations made by the Issuer and the Representative (as the case may be) in relation thereto.

- (b) Each determination made in accordance with this paragraph 2 shall (in the absence of demonstrable error) be final and binding on all persons.
- (c) The Cash Manager shall procure that the determinations and notifications required to be made by the Fund pursuant to the Terms and Conditions of the Covered Bonds are made.

3. **Pre-Acceleration Priority of Payments**

On each Fund Payment Date, the Fund or the Cash Manager on its behalf will transfer Available Receipts from the Revenue Ledger and the Reserve Ledger, as applicable, to the Payment Ledger on the GIC Account in accordance with Clause 11 of the Fund Deed.

Subject to paragraph (e) of Schedule 1, prior to service of a Notice to Pay or a Fund Acceleration Notice on the Fund, the Cash Manager will procure that Available Receipts standing to the credit of the Payment Ledger on the GIC Account are applied on each Fund Payment Date in accordance with the Pre Acceleration Priority of Payments (subject to, if an Asset Coverage Test Breach Notice has been served and has not been revoked, Clause 12 of the Fund Deed).

4. **Other Payments**

Subject to paragraph (e) of Schedule 1, the Cash Manager agrees, and the Fund concurs, that (save as otherwise specified below) amounts may be transferred from the relevant Ledgers on the GIC Account to the Payment Ledger on the GIC Account, and the following payments may be made from the

Payment Ledger on the GIC Account (to the extent that withdrawal of those amounts would not cause the balance of the Payment Ledger on the GIC Account to become overdrawn) on any date:

- (i) to pay when due and payable any amounts due and payable by the Fund to third parties and incurred without breach by the Fund of the Transaction Documents and not provided for payment elsewhere in the Pre Acceleration Priority of Payments or the Guarantee Priority of Payments; and
- (ii) to refund any amounts due arising from the rejection of any payments in respect of a Loan and any other amounts which have not been received by the Fund as cleared funds.

5. Use of Ledgers

- (a) The Cash Manager shall forthwith record moneys received or payments made by it on behalf of the Fund in the Ledgers in the manner set out in this Agreement and the Fund Deed.
- (b) A debit item shall only be made in respect of any of the Ledgers and the corresponding payment or transfer (if any) may only be made from the GIC Account to the extent that such entry does not cause the relevant Ledger to have a debit balance.
- (c) Following service of a Notice to Pay on the Fund the Cash Manager shall not be obliged to maintain the Ledgers other than the Unit Account Ledger and the Intercompany Loan Ledger.
- (d) The Cash Manager shall establish any new Ledgers required by the Fund or the Representative to record payments under the Covered Bond Guarantee or otherwise.
- (e) If, at any time, the Cash Manager is in any doubt as to which Ledger a particular amount should be credited or debited, it shall consult with the Representative thereon.

6. Revenue Ledger

The Cash Manager shall ensure that:

- (a) the following amounts shall be credited to the Revenue Ledger:
 - (i) all Revenue Receipts;
 - (ii) all interest received by the Fund on the GIC Account;
 - (iii) all amounts received by the Fund representing income on any Substitution Assets and Authorised Investments;
 - (iv) the proceeds from any sale of Loans to the extent that such proceeds comprise Accrued Interest or Arrears of Interest; and
 - (v) any other revenue income of the Fund which is not referred to in paragraphs (i) to (iii) above; and
- (b) any payment or provision made under the Pre-Acceleration Priority of Payments or made under paragraph 4 above (but only to the extent that such payment made under paragraph 4 has been recorded as a receipt on the Revenue Ledger) shall be debited to the Revenue Ledger.

7. Unit Account Ledgers

- (a) The Cash Manager shall ensure that each Equity Contribution made by a Holder shall be credited to that Holder's Unit Account Ledger or, as applicable, debited from that Holder's Unit Account Ledger

where a Unit Distribution has been made pursuant to Clause 9 of the Fund Deed. The Cash Manager shall record on each Holder's Unit Account Ledger whether the relevant Equity Contribution was a Cash Equity Contribution or an Equity Contribution in Kind. The Cash Manager shall ensure that, if the Seller directs, Cash Equity Contributions are transferred from the Unit Account Ledger to the Reserve Account Ledger as soon as reasonably practicable.

- (b) The Cash Manager shall ensure that each Unit Distribution to a Holder shall be debited to that Holder's Unit Account Ledger.

8. **Reserve Ledger**

The Cash Manager shall ensure that:

- (a) any Term Advances (or part thereof) borrowed by the Fund under the Intercompany Loan Agreement that are specifically required to be credited to the Reserve Fund, shall be credited to the Reserve Ledger;
- (b) any Cash Equity Contributions to the Reserve Fund at the direction of the Seller shall be credited to the Reserve Ledger;
- (c) amounts shall be credited to the Reserve Ledger in accordance with the Pre-Acceleration Priority of Payments; and
- (d) amounts shall be debited to the Reserve Ledger on each Fund Payment Date in order to be applied in accordance with the Pre-Acceleration Priority of Payments or, as applicable, the Guarantee Priority of Payments.

9. **Payment Ledger**

The Cash Manager shall ensure that amounts shall be debited and credited to the Payment Ledger in accordance with paragraphs 3 and 4 of this Schedule.

10. **Intercompany Loan Ledger**

The Cash Manager shall ensure that all payments made in accordance with the terms of the Term Advances are recorded in the Intercompany Loan Ledger.

11. **Payments to Principal Paying Agent**

Each of the Representative and the Fund agree that all amounts payable by the Cash Manager in respect of the Intercompany Loan or under the Covered Bond Guarantee, in accordance with the applicable Priorities of Payments, may be paid directly to the Principal Paying Agent.

SCHEDULE 3

FORM OF FUND MONTHLY ASSET COVERAGE REPORT

FUND MONTHLY ASSET COVERAGE REPORT FOR PERIOD •

Calculation Date: []

Principal Amount Outstanding of the Covered Bonds: ISK []

Adjusted Aggregate Loan Amount: []

$$aA+B+C+D-W= []$$

where:

$$aA = []$$

$$B = []$$

$$C = []$$

$$D = []$$

$$W = []$$

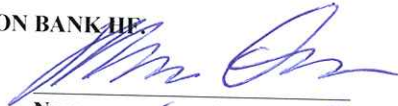
(where "aA", "B", "C", "D" and "W" have the meanings given in clause 10.2 of the Fund Deed)


Asset Coverage Test: [passed/not passed].

SIGNATORIES

The Cash Manager, the Seller and the Servicer

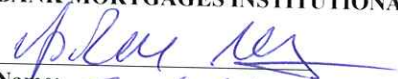
ARION BANK AB


By: 
Name: H. H. Entressow
Title: CEO


Name:
Title:

The Fund


ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

By: 
Name:
Title: Fund Manager


Name:
Title:

The Representative

DEUTSCHE TRUSTEE COMPANY LIMITED

By: 
Name:
Title: Associate Director

Name:
Title: Associate Director

SIGNATORIES

The Cash Manager, the Seller and the Servicer

ARION BANK HF.

By: _____

Name:

Title:

Name:

Title:

The Fund

ARION BANK MORTGAGES INSTITUTIONAL INVESTOR FUND

By: _____

Name:

Title:

Name:

Title:

The Representative

DEUTSCHE TRUSTEE COMPANY LIMITED

By: _____

Name:

Title: Associate Director

Name:

Title: Associate Director

[SIGNATURE PAGE TO THE CASH MANAGEMENT AGREEMENT]