



Íbúðalánasjóður

# Housing Bonds

Category 1/ 2001

Listing of Housing Bonds  
on Iceland Stock Exchange  
- March 2001 -



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## **General information about the listing of Housing Financing Fund Housing Bonds, category 1/2001**

### **Issuer and manager of the offer**

**Issuer.** The Housing Financing Fund, national ID no. 661198-3629, Borgartún 21, 105 Reykjavík, Iceland.

**Responsibility for prospectus.** Búnaðarbankinn Verðbréf (Búnaðarbanki Securities), national ID no. 490169-1219, Hafnarstræti 5, 155 Reykjavík, Iceland and the Housing Financing Fund are responsible for this prospectus which is made in accordance with Art. 4 of Appendix IV to Regulation no. 434/1999 on the public listing of securities in a stock exchange.

**Activities of the issuer.** Under the Housing Act no. 44/1998, the Housing Financing Fund is an independent government agency which provides loans to individuals, municipalities, companies and organizations for housing purchases and construction work.

**Authorization.** The Minister of Social Affairs has decided with Regulation no. 231/2001 on Housing Bond issues in 2001 for the Housing Financing Fund, on the basis of the Housing Act no. 44/1998, that the Housing Financing Fund may issue Housing Bond categories 1 and 2 in 2001. The total amount of the issue for Housing Bond categories 1 and 2 in 2001, together with Housing Bond categories 1 and 2 in 1998, is ISK 26,700,000,000, twenty six thousand seven hundred million króna. The total amount of approved bond swaps from categories 1 and 2/2001 (together with approved swaps of bonds from categories 1 and 2/1998) shall not exceed ISK 26,700 during 2001, based on their calculated market price. The bonds shall be in two categories with different maturities: 25 years in category 1 and 40 years in category 2. It has not been decided in advance how the issue of 26,700 million will be divided between the two categories, since this will depend on respective demand for them.

### **Terms**

The Housing Financing Fund uses these bonds to swap for mortgage bonds which are used for housing purchases and are secured with collateral in real estate. Housing Bond prices are determined by an equation stated in Chapter XVIII of the regulation on the Housing Financing Fund, as follows:

The calculated market value shall be determined by establishing the monthly nominal value of Housing Bonds which are to be swapped for Mortgage Bonds, which is done with reference to the average calculated price of Housing Bonds during the respective month. The nominal value calculated in this way is then recalculated in terms of market value based on the average swap value of the category in question on Iceland Stock Exchange. If no trading has taken place in the relevant Housing Bond category during the month covered by the calculations, the average swap value shall be calculated on the basis of the yield on a comparable Housing Bond category on Iceland Stock Exchange.

**Nominal value and maturity.** The maturity of category 1/2001 is 25 years. The Housing Financing Fund redeems and repays the Housing Bonds in full with selective draws on fixed due dates, which are March 15, June 15, September 15 and December 15 each year. The first due date is September 15, 2001. The Housing Bond category shall be closed no later than June 15, 2003. Numbers are drawn from the valid unredeemed bonds which have been disbursed the day before the relevant due date or earlier. In each draw, Housing Bonds will be removed to a value corresponding as closely as possible to the repayment of an annuity with the rates of interest which apply to each category, remaining maturity and remaining instalments. Bonds which have not been drawn will be paid in full on the final due date of the category. The final due date of category 2 is March 15, 2026. On the final date, the principal, price indexation and interest will be paid on Housing Bonds which have not been drawn. Housing Bonds shall not be partially redeemed. The draw is made at the University of Iceland Science Institute in the presence of representatives of the Housing Financing Fund and under the supervision of a public notary.

**Description.** The bonds carry a fixed annual rate of interest of 4.75% from their date of issue, March 15, 2001. The index-adjusted principal together with interest will be repaid as per the above. The principal changes in proportion to changes in the Consumer Price Index according to the Consumer Price Index Act no. 12/1995 and the Interest Rates Act no. 25/1987, with subsequent amendments. The reference index is the index for March 2001, which is 202.8 points.

**Period of issue.** The period of issue is from the date of issue, March 15, 2001 to the closing date of the categories, which is no later than March 15, 2003. Mortgage Bonds can be swapped against Housing Bonds in the above categories from April 1, 2001 inclusive, when they will have been listed on Iceland Stock Exchange.

**Place of payment.** The place of payment for due Housing Bonds is the Housing Financing Fund, Borgartún 21, Reykjavík.

**Market making.** The Housing Financing Fund has made an agreement with secondary market makers for Housing Bonds and Housing Authority Bonds – Búnaðarbanki Íslands hf., Íslandsbanki-FBA hf., Kaupþing hf., Landsbanki Íslands hf. and Sparisjóðabanki Íslands hf. – on market making for categories 1 and 2 of Housing Bonds in 2001. They agree that these new categories are classified as Class A programmes under the current agreement between them on secondary market making for Housing Bonds and Housing Authority Bonds, with one exception: market makers are not obliged to quote daily selling bids to a specific amount in accordance with the terms of Class A market making tasks, but should aim to quote selling bids which are consistent with their potential for selling bonds from these categories at any given time.

**Taxation and stamp duty.** Under Arts. 8, 73 and 78 of the Income Tax and Wealth Tax Act no. 75/1981, these bonds are considered to constitute part of the asset base of individuals and legal entities. The bond's taxation treatment depends on tax legislation at any given time. The issuer does not guarantee that withholding tax on interest payments on the bonds will be returned to the treasury, cf. Art. 3 of Act no. 94/1996 on capital gains tax. Housing Bonds must be declared when tax returns are filed. Housing Bonds are not liable for stamp duty.

**Conveyance.** These bonds, which are electronically registered with the Icelandic Securities Depository, shall be registered against a name and national ID number, and the address and ID number of the claimholder shall also be registered. Conveyance of electronically registered Housing Bonds is governed by the Act on Electronic Registration of Securities no. 131/1997.

**Delay on payment.** If the issuer does not pay on the due date when the owner presents the bond, the issuer shall pay penalty interest from the day it is presented until the day of payment. Penalty interest will be as determined by the Central Bank of Iceland at any given time.

**Lapse provisions.** All claims vested in the bonds lapse if they are not declared to the Housing Financing Fund within 10 years from the due date, irrespective of whether they involve a draw on fixed dates or the final due date. Repayments due on Housing Bonds carry neither interest nor price indexation after the due date.

**Special characteristics.** With respect to the special characteristics of Housing Bonds, reference is made to the Regulations on the Housing Financing Fund, on Housing Bond transactions and on the issue of Housing Bond categories 1 and 2/2001.

**Information and documents.** Information about the listing of Housing Bond category 1/2001 may be obtained from Búnaðarbanki Securities and the Housing Financing Fund.

**Disputes.** Action on any dispute arising from these bonds may be brought in Reykjavík District Court, in accordance with the provisions of Chapter 17 of Act no. 91/1991.