

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2.4 billion in mortgages in July. Of that amount, approximately ISK 1.7 billion were general mortgages and slightly less than ISK 700 million were mortgages for rental housing. The total amount issued this month decreased by 6.9% from the previous month. The average general loan amounted to approximately 10.1 million in July which is 5% less than in June. The Fund issued about ISK 8 billion in the second quarter which is a reduction of 15% from the first quarter of this year. The total amount issued the first six months came to about 17.4 billion which is 30% less than the first six months last year.

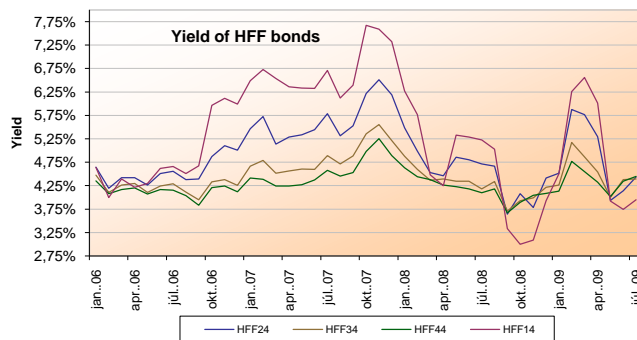
On July 17th, HFF issued a revised forecast on its issuance and auctions of HFF bonds as well as its payment obligations in 2009. The Fund forecasts to issue HFF bonds at a nominal value of ISK 28-32 billion, a decrease of ISK 5-6 billion from the previous forecast. The Fund estimates that new mortgages will be issued for ISK 36- 40 billion this year, a decrease of ISK 5 -7 billion from the previous forecast. HFF plans to pay its creditors ISK 60 – 64 billion this year 2009.

During the second quarter of 2009, HFF received 885 applications for loan restructuring due to financial difficulties, a 6% decrease from the first quarter. In the first half of 2009, HFF received 1827 applications for loan restructuring which is an vast increase from the first half last year. Solutions to payments difficulties include: partial payment plans, refinancing of defaulted payments, payment suspension, extension of maturity and payment detainment. HFF has received 387 applications for payment detainment.

Total turnover of HFF bonds reached close to ISK 122 million in July, an increase of 62% from the previous month. This year, total turnover of HFF bonds amounts to almost ISK 530 billion, so far.

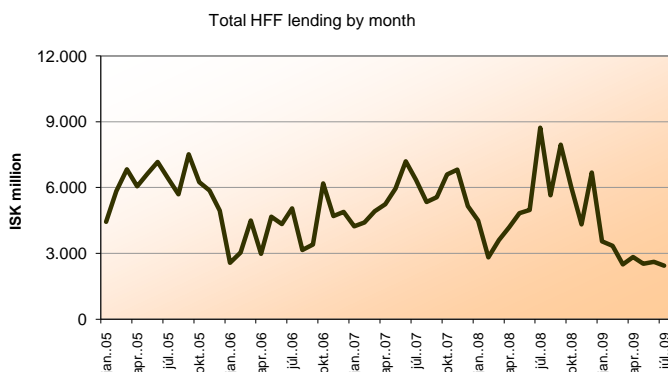
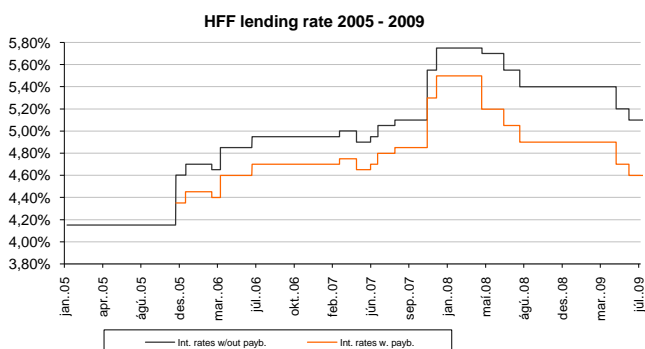
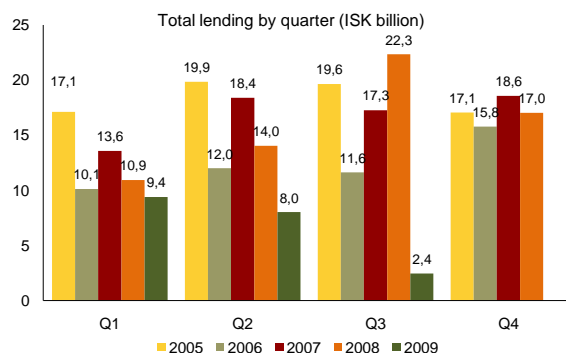
In July, HFF and Bolungarvík Savings bank (SB) signed an agreement regarding HFF's purchase of SB's mortgage pool valued at approximately ISK 500 million, pursuant to Law no.125/2008, Regulation no.1081/2008 and HFF's Rules on the purchase of mortgages from financial institutions. HFF paid 79% of the mortgage pool's market price by handing over HFF bonds to SB in series HFF150434 amounting to ISK 90 million and HFF150644 amounting to ISK 196 million. The remaining 21% will be settled with SB in 8 years. Until the year 2010, SB is not authorized to lend or sell the HFF bonds in a secondary market and is exclusively authorized to use the bonds as collateral in transactions with the Central Bank of Iceland (CBI). In case SB chooses to sell the HFF bonds, it is obligated to spread the sale over a 3 year period in such a way that the maximum value sold each year, beginning in 2010, is equal to 1/3 of the nominal value of the bonds. In 2009, HFF is also entitled to exchange the above stated HFF bonds for HFF bonds from a new bond series to be issued this year, so that the bond's book value at the time of exchange is equal to the bonds' market value on the exchange date.

HFF's payments amounted to ISK 433 million in July with the majority of the amount representing payments of housing bonds. The amount of prepaid mortgages this month came to approximately ISK 600 million, making prepayments this year roughly ISK 4.7 billion.



Series	May 2009	Jun. 2009	Jul. 2009	Duration	Face value	Outst. F.value
HFF14	3,92%	3,74%	3,94%	2,5	70,7	42,1
HFF24	3,94%	4,14%	4,43%	6,5	150,7	122,8
HFF34	4,01%	4,38%	4,40%	10,3	154,6	139,2
HFF44	4,02%	4,35%	4,45%	13,3	237,5	223,4

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of July '09
Of the total issuance of the face value, ISK 9.6 bn in HFF14, 9.6 bn in HFF24, 9.6 bn in HFF34 and HFF44 directly belong to the lending facilitation for HFF bond market makers



HFF Auctions, Lending and Payments

Actual Figures 2009

MISK	Forecast Q3	Actual Q3	Forecast 2009	Actual Jan-Jul. 2009
HFF bond issuance	10-12	0,0	28-32	12,8
New HFF lending	12-14	2,4	36-40	19,9
HFF payments	13-15	0,4	60-64	33,9

Revised forecast for 2009

MISK	1Q	2Q	3Q	4Q	Total 2009
HFF bond issuance	6	7	7-9	8-10	28-32
New HFF lending	9	8	9-11	10-12	36-40
HFF payments	18	15	13-15	14-16	60-64

