

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1.9 billion in mortgages in June. Of that amount, ISK 1.6 billion were mortgages for private ownership. The total amount of issued mortgages in the first six months of 2010 came to about ISK 12 billion compared to almost ISK 17.4 billion in 2009. The average loan amount was ISK 10.0 million in June but approximately ISK 8.6 million in May.

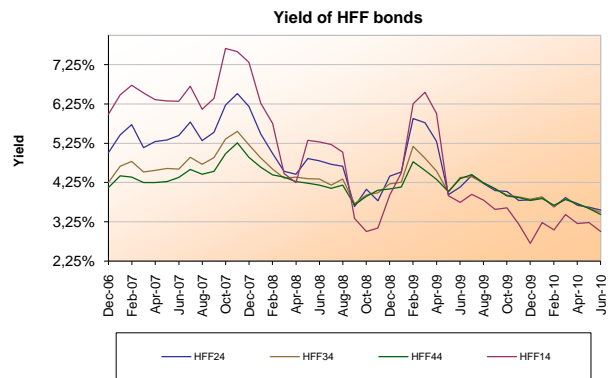
HFF held its fourth auction of HFF Bonds on June 7th 2010. The Fund received bids totalling ISK 13.137 billion at nominal value and accepted bids for ISK 1.3 billion in series HFF24 with an average yield of 3.61% without commission, ISK 2.8 billion in series HFF34 with an average yield of 3.57% without commission and ISK 2.65 billion with an average yield of 3.55% without commission. The weighted average yield of accepted bids without commission was 3.57% and 3.59% with commission. The board of HFF proposed to the Minister of Social Affairs and Social Security that the interest premium should be increased by 0.15% which the Minister agreed to. Consequently, the Fund's interest rates did not change and remain at 4.50% on mortgages that include a prepayment clause and 5.00% on mortgages excluding such a clause.

On June 14th Standard & Poor's Rating Services lowered the credit ratings of HFF due to reduced capital ratio. The credit ratings for long-term liabilities in ISK is lowered to BB+ from BBB. The credit ratings for long term liabilities in foreign currency is lowered to BB+ from BBB-. The credit ratings for short term liabilities in ISK and foreign currency was lowered to B from A-3. The credit ratings were removed from CreditWatch with negative implications and the outlook is negative.

On June 16th The Housing Financing Fund signed an agreement regarding the issuance of HFF bonds and market making in the second market. The objective is to strengthen the access of HFF to capital and reinforce price determination in the second market. From July 1st 2010 the five following financial undertakings have permission to call themselves "Primary dealers of HFF Bonds": Arion bank, Íslandsbanki, MP bank, NBI hf. and Saga Capital Investment bank. The agreements are effective from July 1st 2010 to June 30th 2011.

Total turnover of HFF bonds in June came to almost ISK 66.5 billion compared ISK 46.6 billion in May. The bond yield decreased somewhat this month, or by 7 – 23 points depending on bond series.

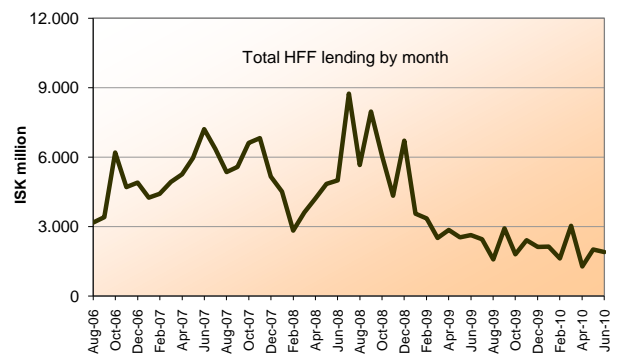
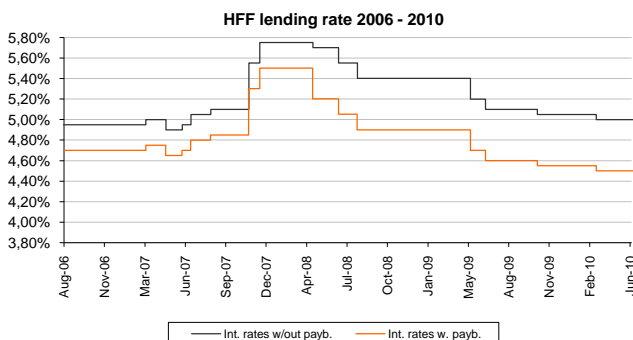
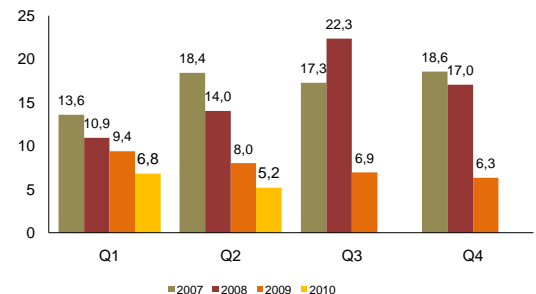
HFF's repayments to creditors came to almost ISK 10.2 billion in June mostly due to repayments of HFF bonds from the series HFF44, but also because of repayments of house bonds and housing bonds. Mortgage prepayments in June amounted to approximately ISK 850 million.



Series	April 2010	May 2010	June 2010	Duration	Face value	Outst. F.value
HFF14	3,21%	3,23%	3,00%	2,2	70,7	35,1
HFF24	3,67%	3,62%	3,55%	6,3	158,3	122,5
HFF34	3,71%	3,60%	3,49%	10,4	166,3	146,0
HFF44	3,71%	3,58%	3,43%	14,0	251,5	233,1

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of June '10
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 9.6 bn in HFF44 directly belong to the lending facilitation for HFF bond market makers.

Total lending by quarter (ISK billion)



HFF Auctions, Lending and Payments

Actual Figures 2010

MISK	Forecast Q2	Actual Q2	Forecast 2010	Actual Jan-Jun 2010
HFF bond issuance	12 - 14	13,9	42 - 50	24,7
New HFF lending	6 - 8	5,2	25 - 33	12,0
HFF payments	20 - 22	23,0	65 - 73	40,8

Revised Forecast 2010

MISK	1Q	2Q	3Q	4Q	Total 2010
HFF bond issuance	9 - 11	12 - 14	10 - 12	11 - 13	42 - 50
New HFF lending	5 - 7	6 - 8	7 - 9	7 - 9	25 - 33
HFF payments	15-17	20 - 22	14 - 16	16-18	65 - 73

