

## Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2.8 billion in mortgages in July. Of that amount, roughly ISK 1.8 billion were mortgages for private ownership. The total amount of issued mortgages in the first seven months of 2010 comes to about ISK 14.8 billion compared to almost ISK 19.9 billion in 2009. The average loan amount was ISK 9.9 million in July but approximately ISK 8.7 million in June.

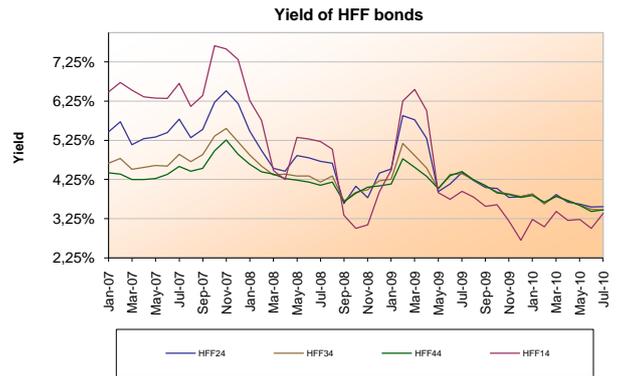
On July 26th, Moody's rating services issued an updated rating for HFF. The report may be found on [www.hff.is](http://www.hff.is). Four days later, on July 30th, Moody's changed HFF's rating outlook to negative from stable, reflecting the outlook for the rating of Republic of Iceland.

The property index in the capital area of Iceland which calculates the weighted average cost per square meter, declined by 1.3% from June 2009 until June of this year. This is due to an 8.1% decrease in the property index for single family homes while the index increased by 0.9% for multifamily homes. For further information please see the website for the Property Registry of Iceland, [www.skra.is](http://www.skra.is).

Total turnover of HFF bonds reached approximately ISK 34.2 billion this month, compared to ISK 66.5 billion in June. The year's total turnover so far, comes to ISK 374.4 billion compared to ISK 529.9 billion for the same period in 2009.

The change in yield rose by 39 points in series HFF14, but changes were relatively small in other bond series. The yield for bond series HFF14 has risen by 69 points since the beginning of the year but declined by 25-35 points in other bond series.

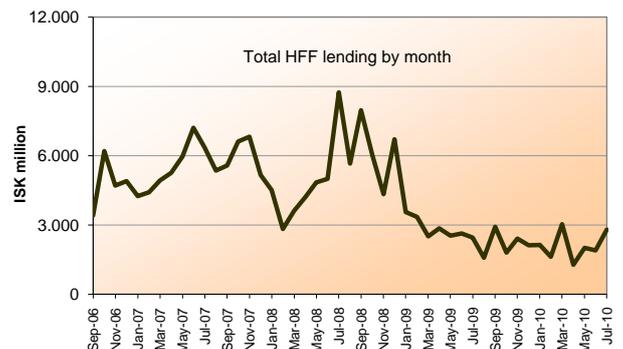
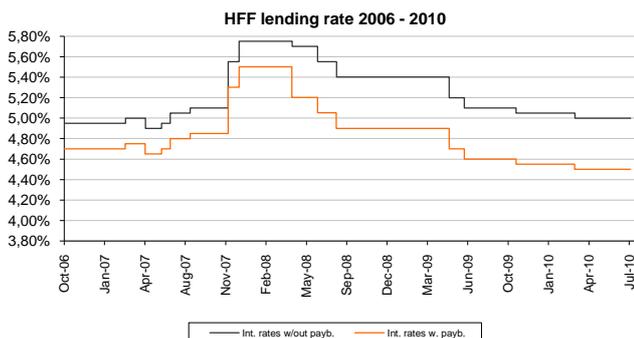
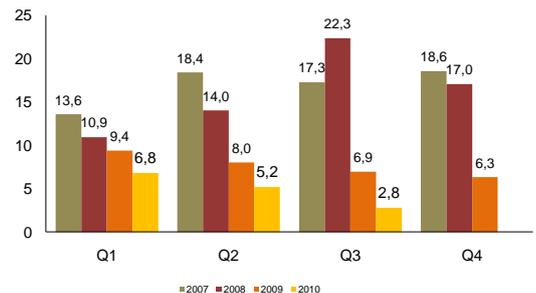
HFF's payments on Housing Authority bonds and housing bonds in July came to approximately ISK 352 million. The amount of prepaid mortgages came to roughly ISK 2.8 billion.



Series	May 2010	June 2010	July 2010	Duration	Face value	Outst. F. value
HFF14	3,23%	3,00%	3,39%	2,1	70,7	35,1
HFF24	3,62%	3,55%	3,55%	6,2	158,3	122,5
HFF34	3,60%	3,49%	3,47%	10,3	166,3	146,0
HFF44	3,58%	3,43%	3,48%	13,9	251,5	233,1

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of July '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

	Forecast Q3	Actual Q3	Forecast 2010	Actual Jan-Jun
<b>MISK</b>				
HFF bond issuance	10 - 12	0,0	42 - 50	<b>24,7</b>
New HFF lending	7 - 9	2,8	25 - 33	<b>14,8</b>
HFF payments	14 - 16	0,4	65 - 73	<b>41,2</b>

### Revised Forecast 2010

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

