

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1.7 billion in mortgages in August. Of that amount, roughly ISK 1.6 billion were mortgages for private ownership. The total amount of issued mortgages in the first eight months of 2010 comes to about ISK 1.5 billion, compared to approximately ISK 21.4 billion for the same period in 2009. The average loan amount issued for private ownership housing was ISK 10.1 million in August but approximately ISK 10 million in July.

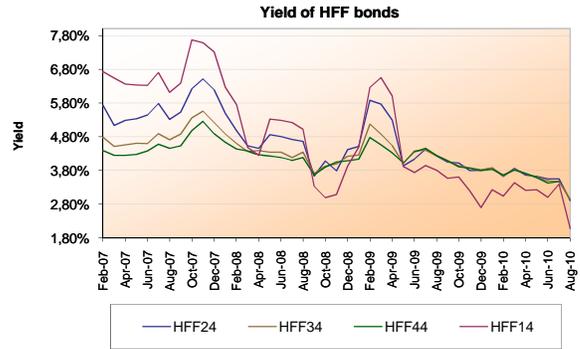
On August 6th, HFF held its fifth auction in 2010. Accepted bids amounted to ISK 12.588 billion at nominal value, as follows: ISK 2.64 billion in series HFF24 with the average yield of 3.45% without commission, ISK 2.26 billion in series HFF34 with the average yield of 3.45% without commission, ISK 5.19 billion in series HFF44 with the average yield of 3.46% without commission. The weighted total yield of accepted bids without commission came to 3.45% and 3.47% with commission. HFF's Board suggested a 10 points raise in interest premium to the Minister of Social Affairs and Social Security which he approved of. As a result of the auction, the Fund's interest rates remained unchanged, i.e. 4.50% on mortgages that include a prepayment clause and 5.00% on mortgages without such a clause.

The Fund's interim account was released on August 26th. The account showed a net loss of ISK 1.680 billion in the first six months of 2010. HFF's equity at the end of June amounted to approximately ISK 8.4 billion and the equity ratio was at 2.1%. The method used to calculate HFF's equity ratio is according to stipulations in regulation no. 544/2004 on the Housing Financing Fund. The method is the same as used by other financial institutions. Defaults on mortgage payments have increased in 2010, 6.3% of the Fund's borrowers are late by one or more monthly payments at the end of June 2010, compared to 5.3% at the end of 2009.

Total turnover of HFF bonds reached approximately ISK 65 billion this month, compared to ISK 34 billion in July. So far, total turnover of the bonds amounts to slightly more than ISK 439 billion, compared to ISK 630 billion for the same period last year.

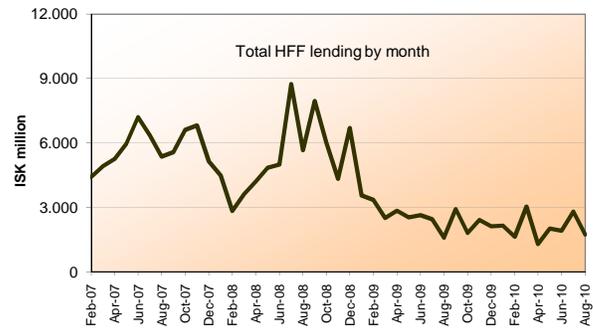
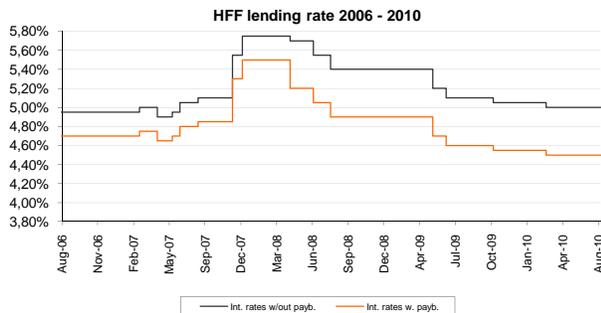
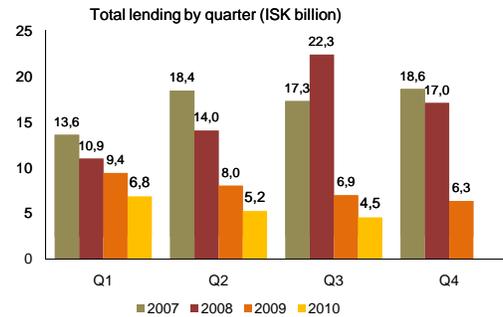
Yields on HFF bonds declined in August by 52 - 131 points, depending on the bond series. Since the beginning of the year, the yield has declined by 62 - 90 points, depending on the series.

HFF's payments came to ISK 9.3 billion this month, mostly due to amortizations of housing bonds. The amount of prepaid mortgages amounted to almost ISK 1.9 billion.



Series	June 2010	July 2010	Aug. 2010	Duration	Face value	Outst. F. value
HFF14	3.00%	3.39%	2.08%	2.0	70.7	35.1
HFF24	3.55%	3.55%	2.91%	6.5	161.0	121.1
HFF34	3.49%	3.47%	2.95%	10.5	168.5	148.0
HFF44	3.43%	3.48%	2.92%	14.3	256.6	237.9

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



HFF Auctions, Lending and Payments

	Actual Figures 2010			Actual Jan-Aug 2010
	Forecast Q3	Actual Q3	Forecast 2010	
MISK				
HFF bond issuance	10 - 12	10,1	42 - 50	34,8
New HFF lending	7 - 9	4,5	25 - 33	16,5
HFF payments	14 - 16	9,6	65 - 73	50,4

	Revised Forecast 2010				
	1Q	2Q	3Q	4Q	Total 2010
MISK					
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

