

## Market Developments

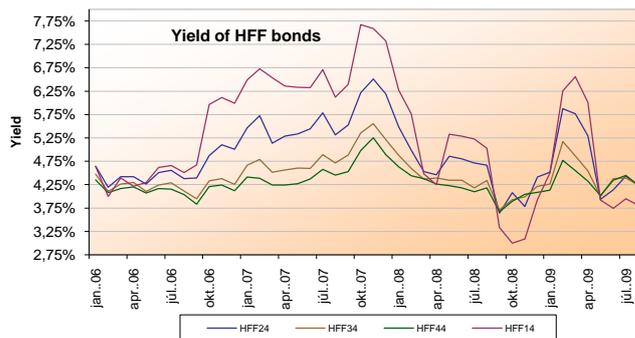
The Housing Financing Fund (HFF) issued almost ISK 1.6 billion in mortgages in August. Of that amount, approximately ISK 1.5 billion were general mortgages and slightly more than ISK 100 million were mortgages for rental housing. The total amount issued this month decreased by 36% from the previous month. The average general loan was approximately ISK 9.8 million which is 3% less than in July. The total amount issued so far in 2009 amounts to approximately ISK 21.4 billion, 46% less than for the same period last year.

In August, HFF and Bolungarvík Savings bank (SB) signed an agreement regarding HFF's purchase of SB's mortgage pool valued at approximately ISK 425 million, pursuant to Law no.125/2008, Regulation no.1081/2008 and HFF's Rules regarding the purchase of mortgages from financial institutions. HFF paid 80% of the mortgage pool's market price by handing over HFF bonds in series HFF150434 to SB amounting to ISK 160 million and HFF150644 amounting to ISK 83.6 million. The remaining 20% will be settled with SB in 8 years. Until 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 bond's market value on the exchange date.

The Condensed Interim Accounts for January 1<sup>st</sup> to June 30<sup>th</sup>, 2009 was published at the OMX stock exchange on August 31<sup>st</sup>. The accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) for interim accounts, IAS 34. According to the income statement, the net profit of the Fund amounted to ISK 463 million for six months ending June 30<sup>th</sup>, 2009. Equity, according to the balance sheet amounted to ISK 13,748 million at the end of the period. The capital ratio of the Fund, calculated according to stipulations of regulation on the Housing Financing Fund No. 544/2004, was 4.3%. The method used for calculating the ratio is the same as used by other financial institutions. The long term goal of the Fund is to maintain a ratio above 5.0%. As stated in notes with the accounts the Fund owns deposits at SPRON and Straumur – Burðarás investment bank hf. There is a disagreement whether the deposits should be classified as a general claim or as general deposits (State guaranteed). If the Fund's claims will be classified as general claims the Fund's loss could amount to around ISK 3.5 billion based on a schedule from the companies' resolution committee regarding the reimbursement ratio on claims that are not State-guaranteed. Further information on the interim account may be found on HFF's websites [www.ils.is](http://www.ils.is) and [ww.hff.is](http://ww.hff.is).

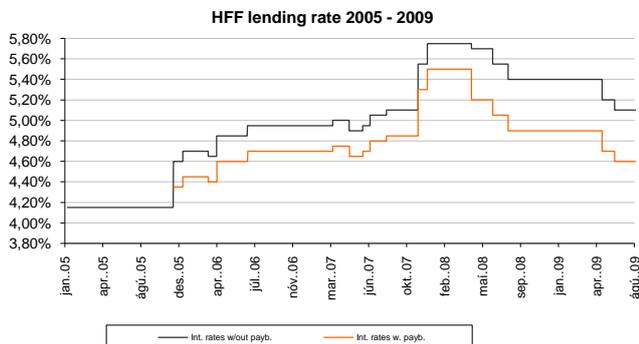
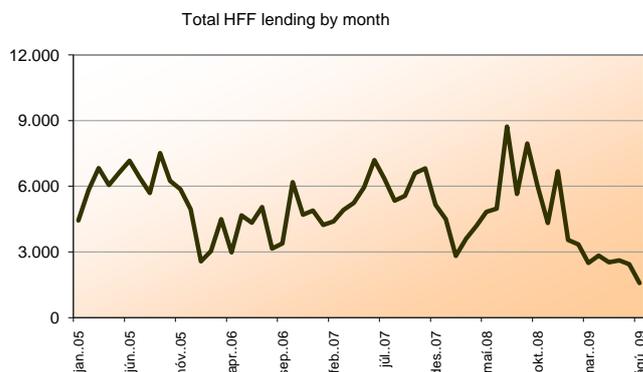
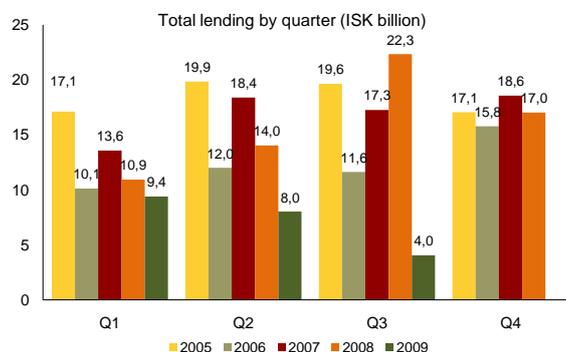
Total turnover of HFF bonds reached close to ISK 99 billion in August, an increase of 18% from the previous month. This year, total turnover of HFF bonds amounts to almost ISK 630 billion, so far.

HFF's payments came to ISK 8.2 billion in August with the majority of the amount representing payments of HFF bonds. The amount of prepaid mortgages this month came to about ISK 950 million, making prepayments this year about ISK 5.6 billion.



Series	June 2009	July 2009	Aug. 2009	Duration	Face value	Outst. F.value
HFF14	3,74%	3,94%	3,80%	2,4	70,7	42,1
HFF24	4,14%	4,43%	4,23%	6,7	150,7	119,7
HFF34	4,38%	4,40%	4,24%	10,3	154,6	139,2
HFF44	4,35%	4,45%	4,24%	13,4	237,5	223,4

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of August '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-Aug. 2009
HFF bond issuance	7-9	0,0	28-32	12,8
New HFF lending	9-11	4,0	36-40	21,4
HFF payments	13-15	8,6	60-64	42,1

### 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

