

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2.6 billion in mortgages in June. Of that amount, approximately ISK 1.9 billion were general mortgages and slightly more than ISK 700 million were mortgages for rental housing. The total amount issued this month increased by 3.6% from the previous month. The average amount of general loans amounted to about 10.6 million in June, an increase of 11% from the previous month. The Fund lent approximately ISK 8 billion in the second quarter, a reduction of 15% from the first quarter of this year. Total lending in the first half of 2009 was about 17.4 billion, about 30% less than in the first half of 2008.

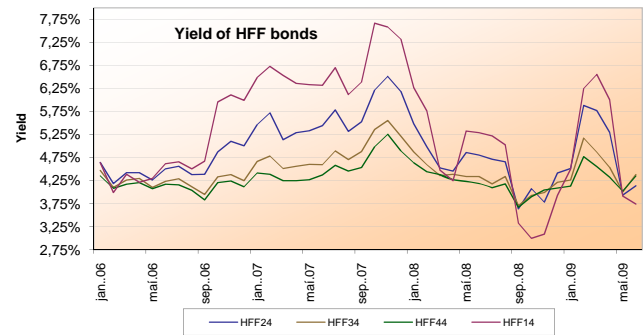
On June 16th, HFF held its 4th auction of HFF bonds this year. Total bids received came to ISK 12.195 billion at nominal value. Bids were accepted for ISK 1,950 million at nominal value in series HFF34 at the average yield of 4.13% without commission, ISK 1.575 billion in series HFF44 at the average yield of 4.13% without commission. As a result of the auction, HFF lowered its interest rates by 10 basis points. Hence, the Fund's rates are presently 4.60% on mortgages including a prepayment clause and 5.10% on mortgages excluding such a clause. These rates took effect on June 18th 2009.

Total turnover of HFF bonds reached close to ISK 75.3 billion in June, an increase of 17% from May. This year, total turnover of the bonds amounts to ISK 407.8 billion, so far.

On June 25th Moody's Investors Service affirmed a Baa1 credit rating for the Housing Financing Fund with a negative outlook. On that day an agreement was also signed regarding the issuance and market making of HFF Bonds in the secondary market with the objective of strengthening HFF's access to capital and market making. As of July 1st four financial undertakings are authorized to refer to themselves as Primary Dealers for HFF Bonds; Íslandsbanki hf., Nýi Kaupþing banki hf., MP banki hf. and NBI hf.

In June, an agreement was signed on HFF's purchase of Byr Savings Bank's mortgage pool valued at approximately ISK 2.7 billion. This agreement is 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 in series HFF150644 at nominal value ISK 1,705,368,135 billion. The remaining 21% will be settled with Byr in 8 years. Until 2010 Byr 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 Byr 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 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 came to ISK 8.3 billion in June with the majority of the amount representing payments of housing bonds.

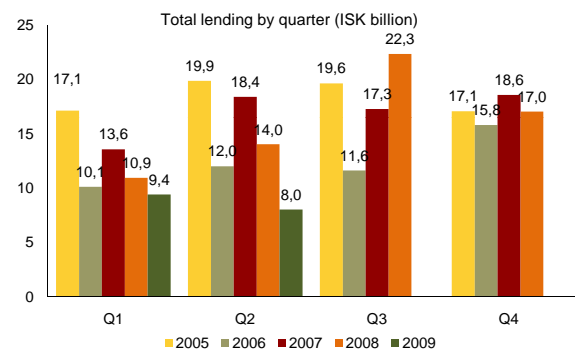


Series	Apr. 2009	May 2009	Jun. 2009	Duration	Face value	Outst. F. value
HFF14	6,01%	3,92%	3,74%	2,6	82,3	49,0
HFF24	5,30%	3,94%	4,14%	6,6	151,5	122,8
HFF34	4,54%	4,01%	4,38%	10,4	152,7	136,4
HFF44	4,33%	4,02%	4,35%	13,5	233,5	218,1

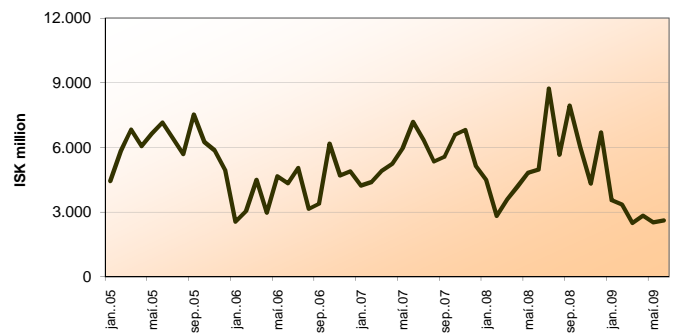
*Yield on the last trading day of each month

Duration (yrs) and class size (MISK) as of end of June '09

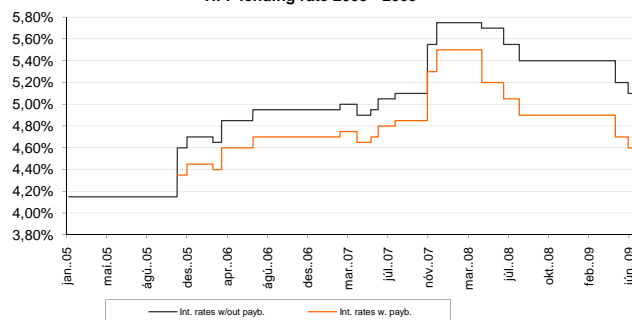
Of the total issuance of the face value, ISK 7.2 bn in HFF14, 7.2 bn in HFF24, 7.2 bn in HFF34 and HFF44 directly belong to the lending facilitation for HFF bond market makers



Total HFF lending by month



HFF lending rate 2005 - 2009



HFF Auctions, Lending and Payments

Actual Figures 2009

	Forecast Q2	Actual Q2	Forecast 2009	Actual Jan-Jun. 2009
MISK				
HFF bond issuance	8-10	7,0	33-38	12,8
New HFF lending	10-12	8,0	41-47	17,4
HFF payments	14-16	15,4	59-65	33,5

Revised forecast for 2009

MISK	1Q	2Q	3Q	4Q	Total 2009
HFF bond issuance	6	8-10	10-12	9-10	33-38
New HFF lending	9	10-12	12-14	10-12	41-47
HFF payments	18	14-16	13-15	14-16	59-65

HFF bonds auctions

