

Market Developments

The Housing Financing Fund (HFF) issued approximately ISK 1.5 billion in mortgages this month. Of that amount, about ISK 1.4 billion was for privately owned homes. In comparison, this amount was approximately ISK 2.3 billion in August 2011. The average amount for privately owned homes this month was around ISK 10.7 million. In the first eight months, the total amount came to approximately ISK 8.3 billion, compared to about ISK 15.9 billion for the same period in 2011.

On August 31st, HFF issued its 2012 interim financial report. The operating results of the period were negative to the tune of ISK 3.109 million, compared to ISK 1.561 million in profits during the same period in 2011. HFF's equity at the end of the period was ISK 6.445 million, compared to over ISK 9.555 million at year-end 2011. The Fund's equity ratio, calculated according to the provisions of Regulation No. 544/2004 on the Housing Financing Fund is, at present, 1.4%, while it was 2.3% at the beginning of the year. The ratio is calculated in the same manner as the equity ratio of financial undertakings. The Fund's long-term goal is to keep the ratio above 5.0% but not below 4% and HFF's discussions with the authorities are aimed at fulfilling the provisions of the Regulation.

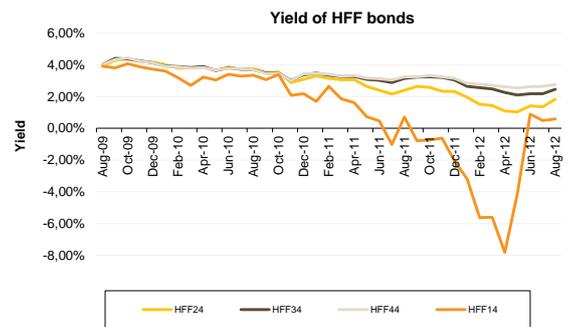
Operating results before impairment are, in all cases, in accordance with the year's approved budget. Net operating income was 30% over projections and can be attributed to successful treasury management. Overall, operating income is 26% over projections. Total operating expenses are 7% under projections. However, expenses resulting from the Fund's larger projects may be expected to materialize in the latter part of the year. A loss of 1.161 million was budgeted for the first half of 2012.

The Fund has issued a total of 850 mortgages for privately owned homes this year, compared to 1.570 for the same period in 2011.

The yield on all HFF series dropped 21-35 basis points this month. Since the beginning of the year, the yield on HFF14 and HFF24 has increased by 6.48% and 0.18%, respectively. During the same period, the yield on HFF34 has dropped by 0.36% and HFF by 0.19%.

The total turnover of HFF bonds reached approximately ISK 55.7 billion this month, compared to roughly ISK 20.7 billion in July 2012.

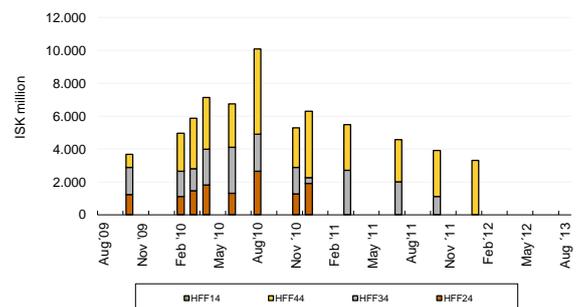
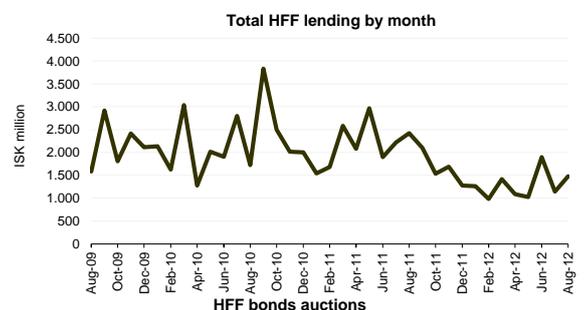
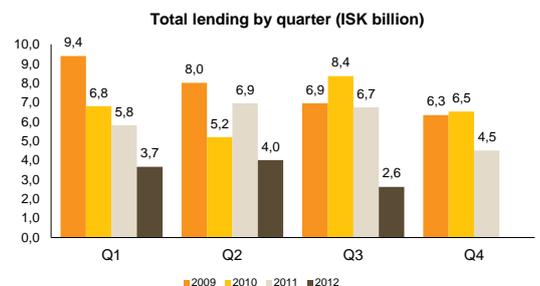
The Fund's amortization payments on HFF-bonds and other liabilities came to around ISK 10.2 billion this month, and prepaid mortgages amounted to ISK 1.3 billion.



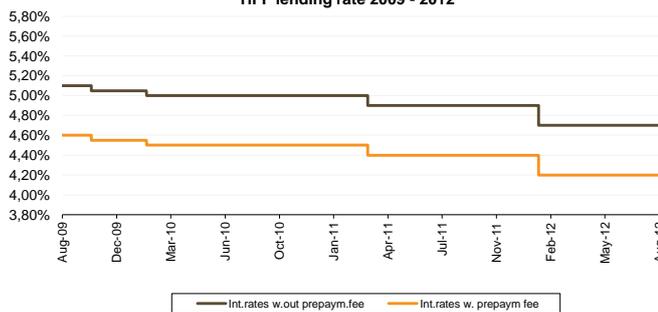
Series	June 2012	July 2012	August 2012	Duration	Face value	Outst. n. value
HFF14	0,86%	1,12%	0,87%	1,1	70,7	20,2
HFF24	2,14%	1,96%	1,62%	5,6	164,2	112,6
HFF34	2,50%	2,38%	2,12%	10,0	176,3	146,5
HFF44	2,75%	2,71%	2,51%	13,9	274,5	248,7

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of August '12
Of the total issuance of the face value, ISK 9.6 bn in all HFF bonds directly belong to the lending facilitation for HFF bond market makers.

HFF-bond holders (end of month)	August 2011	August 2012
Pension Funds	62,6%	61,9%
Securities and Investment Funds	11,6%	14,5%
Foreign Investors	7,4%	6,3%
Credit Institutions	4,6%	5,3%
Other Corporations	3,6%	3,8%
Individuals	3,6%	3,0%
Banks and Savings Banks	3,3%	2,0%
Others	3,3%	3,2%



HFF lending rate 2009 - 2012



HFF Auctions, Lending and Payments

Actual Figures 2012

Billion ISK	Forecast		Revised forecast		Actual Januar 2012
	3Q	Actual 3Q	2012	2012	
HFF bond issuance*	4 - 6	0,0	10 - 14	3,3	3,3
New HFF lending	7 - 9	2,6	13 - 17	10,3	10,3
HFF total payments	17 - 19	10,6	37 - 41	51,7	51,7

*Nominal value

Revised forecast 2012

Billion ISK	3Q	4Q	Total
HFF bond issuance (Mv)	6 - 8	9 - 11	15 - 19
HFF bond issuance (Nv)	4 - 6	6 - 8	10 - 14
New HFF lending	7 - 9	6 - 8	13 - 17
HFF total payments	17 - 19	20 - 22	37 - 41