

## Market Developments

The Housing Financing Fund (HFF) issued almost ISK 1.9 billion in mortgages this month. Of that amount, about ISK 1.7 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.6 billion in June of last year. The average loan amount issued for privately owned homes was ISK 10.3 million this month. The average amount was around ISK 10.5 million in the previous month. In the first six months this year, the Fund has issued around ISK 11.4 billion compared to ISK 7.6 billion for the same period in 2010.

On June 21st, HFF signed agreements regarding market making in the secondary market and HFF bond issuance. The aim is to enhance HFF's access to funding in the capital markets and strengthen price formation in the secondary market. As of July 1st, 2011, five financial institutions are authorized to refer to themselves as primary dealers with HFF bonds. These are; Arion banki, Íslandsbanki, Landsbankinn, MP banki, and Saga Investment bank.

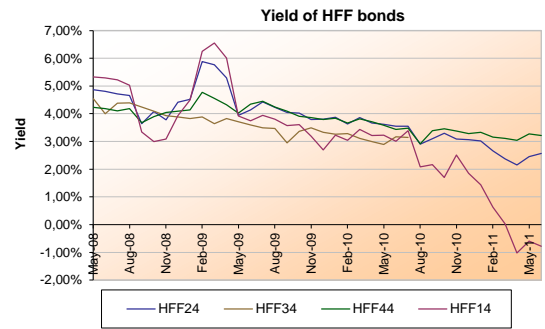
At the end of the month, HFF issued a revised forecast for 2011. The Fund estimates to issue HFF bonds for ISK 14-18 billion at nominal value and ISK 20-26 billion at market value in the second half of the year in order to finance new mortgages and amortizations of Housing bonds. New mortgages for that same period are forecasted to be ISK 12-16 billion, of that amount approximately ISK 2-3 billion for legal entities. Repayments for the Fund's financing are estimated at ISK 33-37 billion for the second half of this year.

The CPI (Consumer Price Index) based on prices in June rose approximately 0.50% from the previous month and less housing cost it rose 0.53%. In the past 12 months the CPI has risen 4.2% and less housing cost the index has risen 4.2% as well. In the last 3 months, the CPI has increased by 2.2% which equals an annual inflation rate of 9.2% (7.9% inflation less housing cost).

The yield on HFF 14 was -0.77% at the end of the month, falling 18 points from the previous month, HFF 34 was 3.14%, falling 3 points and HFF 44 was at 3.22% falling 6 points. The yield on HFF 24 was 2.56% at the end of the month, rising 11 points from May.

Total turnover of HFF bonds reached approximately ISK 55.7 billion this month, compared to roughly ISK 74 billion in May this year.

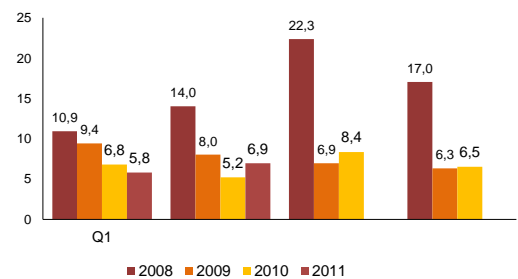
HFF's payments came to around ISK 11.2 billion this month, with amortizations of housing bonds being around ISK 10.3 billion. Prepayment of mortgages amounted to about ISK 938 million in June.



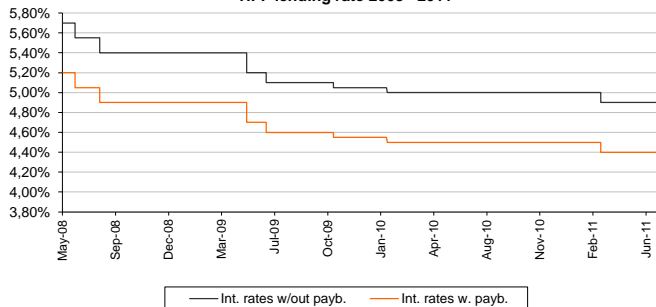
Series	Apr. 2011	May 2011	June 2011	Duration	Face value	Outst. F. value
HFF14	-1,02%	-0,59%	-0,77%	1,7	70,7	27,8
HFF24	2,16%	2,45%	2,56%	6,0	164,2	119,9
HFF34	2,89%	3,17%	3,14%	10,2	173,2	148,1
HFF44	3,04%	3,28%	3,22%	13,9	265,9	242,8

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of June '11  
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.

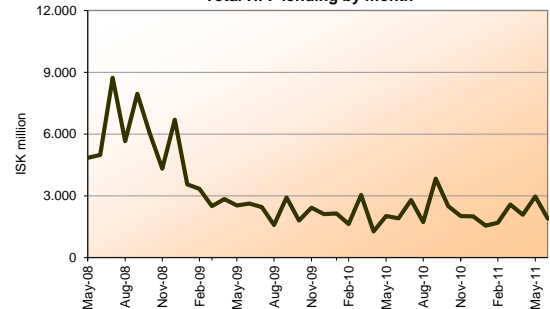
Total lending by quarter (ISK billion)



HFF lending rate 2008 - 2011



Total HFF lending by month



## HFF Auctions, Lending and Payments

### Actual Figures 2011

Billion ISK	Forecast Q2	Actual Q2	Forecast 2011**	Actual Jan-June 2011
HFF bond issuance**	8 - 10	0,0	15 - 19	5,5
New HFF lending	7 - 9	6,9	13 - 17	12,8
HFF total payments	17 - 19	19,8	30 - 37	38,4

\*\*Forecast for Q1 and Q2  
\*Nominal value

### Revised forecast 2011

Billion ISK	3Q	4Q	Total
HFF bond issuance (Nominal value)	7 - 9	7 - 9	14 - 18
HFF bond issuance (Market value)	10 - 13	10 - 13	20 - 26
New HFF lending	6 - 8	6 - 8	12 - 16
HFF total payments	15 - 17	15 - 17	33 - 37

HFF bonds auctions

