

Market Developments

The Housing Financing Fund (HFF) issued almost ISK 1.3 billion in mortgages this December. Of that amount, approximately ISK 1.1 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.7 billion in December 2010. HFF issued a total of ISK 24 billion in mortgages in 2011, thereof ISK 21.5 billion for privately owned homes. In 2010, these numbers were ISK 27 billion and ISK 18.5 billion, respectively. The average loan amount issued for privately owned homes this month came to around ISK 9.6 million.

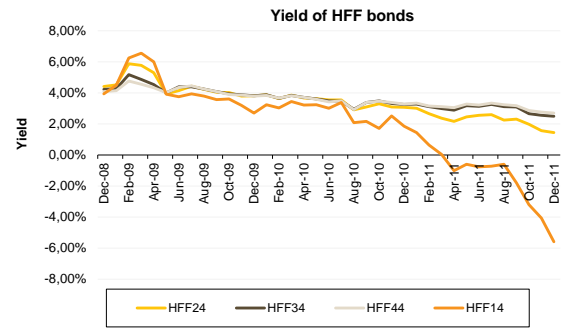
On December 30th, HFF published its 2012 forecast. The Fund estimates to issue HFF bonds worth ISK 24 - 29 billion at nominal value, corresponding to about ISK 36 - 44 billion at market value. Furthermore, it is forecasted that issued mortgages will amount to ISK 23 - 31 billion. Repayments to HFF's creditors are estimated to range between ISK 71 - 79 billion in 2012, mostly due to repayments on HFF bonds. The Fund will meet its financing requirements in 2012, partly by selling some of its market treasuries, mostly in series RIKS 30 0701, amounting to ISK 7 - 9 billion, as stated in the forecast.

On May 15th, Moody's rating agency announced that it had affirmed HFF's Baa3 rating with a negative outlook. The Fund's outlook reflects Moody's outlook on the Republic of Iceland.

The yield on HFF24, HFF34 and HFF44 declined in December by 7 - 12 points, depending on the series, and HFF14 declined around 153 points. The yield on all bonds declined in 2011; HFF 24, HFF34 and HFF44 by 59 - 163 points, depending on the series and HFF14 declined approximately 746 points.

The total turnover of HFF bonds reached approximately ISK 50 billion this month, compared to roughly ISK 67 billion in November 2011. Total turnover in 2011 came to approximately ISK 685 billion, compared to ISK 876 billion in 2010. Of the total bond turnover at the Nasdaq OMX in Iceland, the turnover of HFF bonds proportioned 26% in 2011, compared to 31% in 2010.

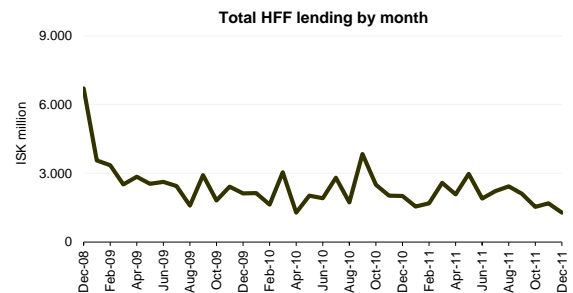
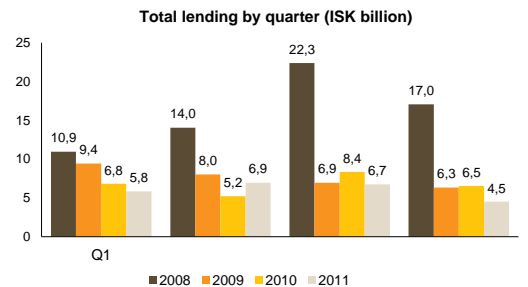
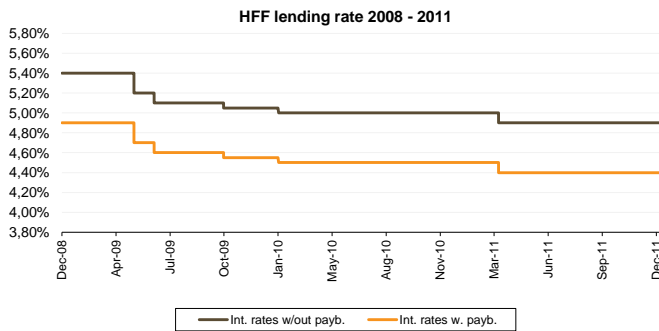
The Fund's amortization payments on HFF-and housing bonds and other liabilities came to roughly ISK 11.6 billion million in December. Prepaid mortgages amounted to ISK 1.2 billion this month, and a total of ISK 9.8 billion for the whole year.



Series	Oct. 2011	Nov. 2011	Dec. 2011	Duration	Face value	Outst. n. value
HFF14	-3,19%	-4,07%	-5,60%	1,5	70,7	24,0
HFF24	1,98%	1,56%	1,44%	5,9	164,2	116,3
HFF34	2,66%	2,56%	2,49%	10,3	176,3	148,6
HFF44	2,87%	2,77%	2,70%	14,1	271,2	245,7

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of December '11
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)	Sept. 2011	Dec. 2011
Pension Funds	62,2%	61,8%
Securities and Investment Funds	11,5%	11,6%
Foreign Investors	8,0%	10,0%
Credit Institutions	4,5%	4,6%
Other Corporations	3,5%	3,1%
Individuals	3,5%	3,1%
Banks and Savings Banks	3,7%	2,9%
Others	3,3%	2,9%



HFF Auctions, Lending and Payments

Actual Figures 2011

Billion ISK	Forecast		Actual Q4	Forecast		Actual Jan-Dec 2011
	Q4	Q4		2011**	2011**	
HFF bond issuance**	7 - 9	3,9	14 - 18	13,9		
New HFF lending	6 - 8	4,5	12 - 16	24,0		
HFF total payments	18 - 20	20,6	33 - 37	76,4		

**Forecast for Q3 and Q4
*Nominal value

Forecast 2012

Billion ISK	Forecast 2012				Total
	1Q	2Q	3Q	4Q	
HFF bond issuance (Nv)	9 - 11	11 - 13	7 - 9	9 - 11	36 - 44
HFF bond issuance (Mv)	6 - 7	7 - 9	5 - 6	6 - 7	24 - 29
New HFF lending	5 - 7	7 - 9	6 - 8	5 - 7	23 - 31
HFF total payments	17 - 19	19 - 21	16 - 18	19 - 21	71 - 79

