

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1 billion in mortgages this month. Of that amount, approximately ISK 900 million was for privately owned homes. In comparison, this amount was approximately ISK 2.7 billion in May of 2011. The average loan amount issued for privately owned homes came to around ISK 9.8 million.

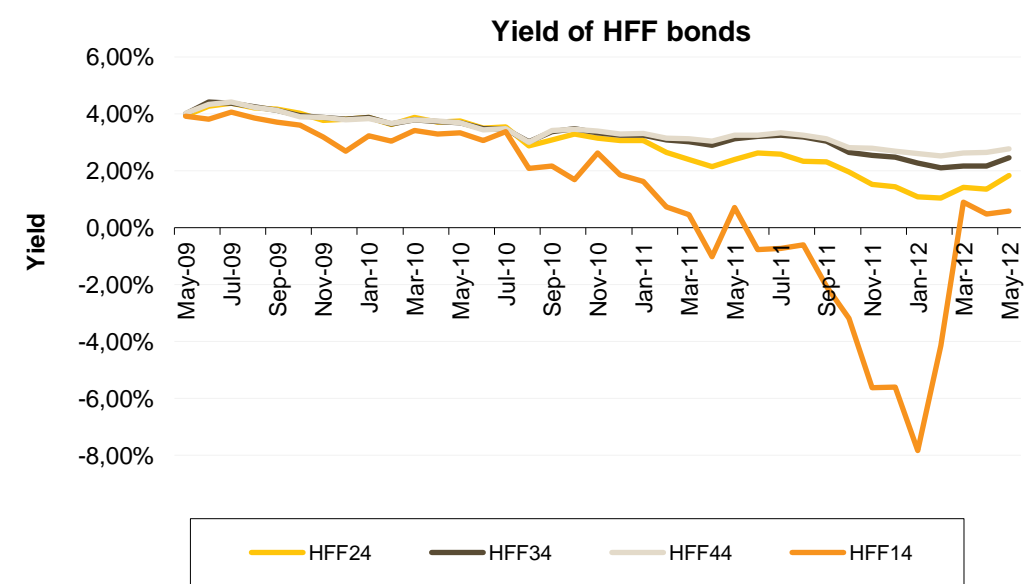
The Consumer Price Index (CPI) based on prices in May is 0.03% lower than in April (0.08% less housing cost). In the last 12 months the CPI rose 5.4%, and 5.5% less housing cost. In the last 3 months the CPI has increased 1.8% which is equivalent to an annual inflation rate of 7.5% (or 8.1% inflation for the CPI less housing cost).

The Fund has issued a total of 488 mortgages for privately owned homes this year, compared to 950 for the same period in 2011.

The yield on all HFF series increased 11 – 49 basis points this month. Since the beginning of the year, the yield on HFF14 has risen by 6.20%, HFF24 by 0.40% and HFF44 by 0.07%. So far the yield on HFF34 has declined by 0.03% in 2012.

The total turnover of HFF bonds reached approximately ISK 58.2 billion this month, compared to roughly ISK 18.6 billion in April.

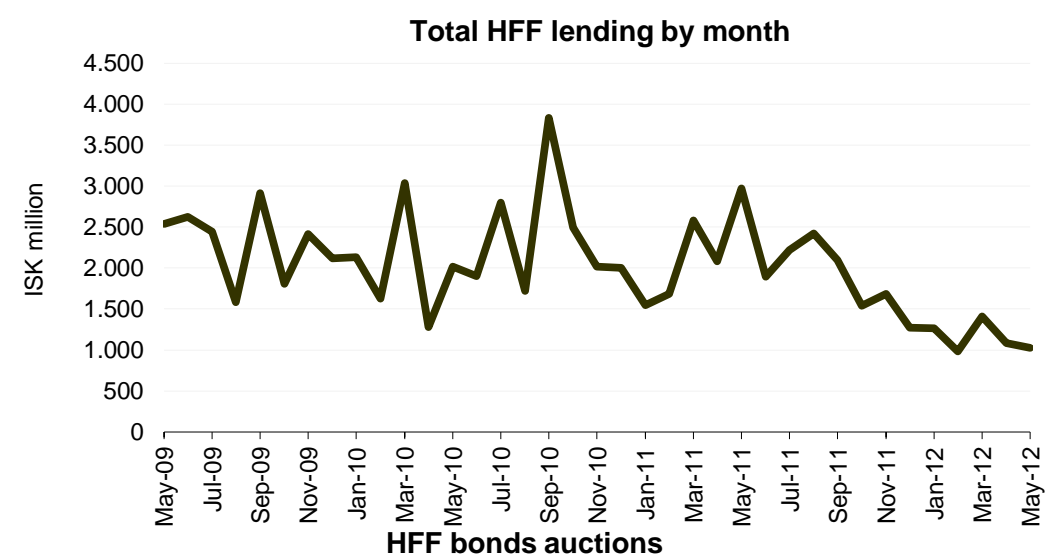
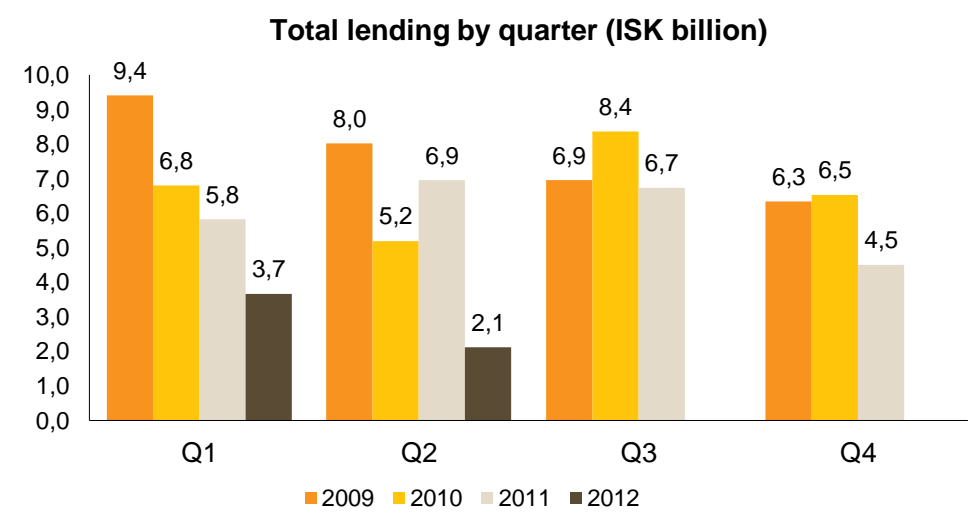
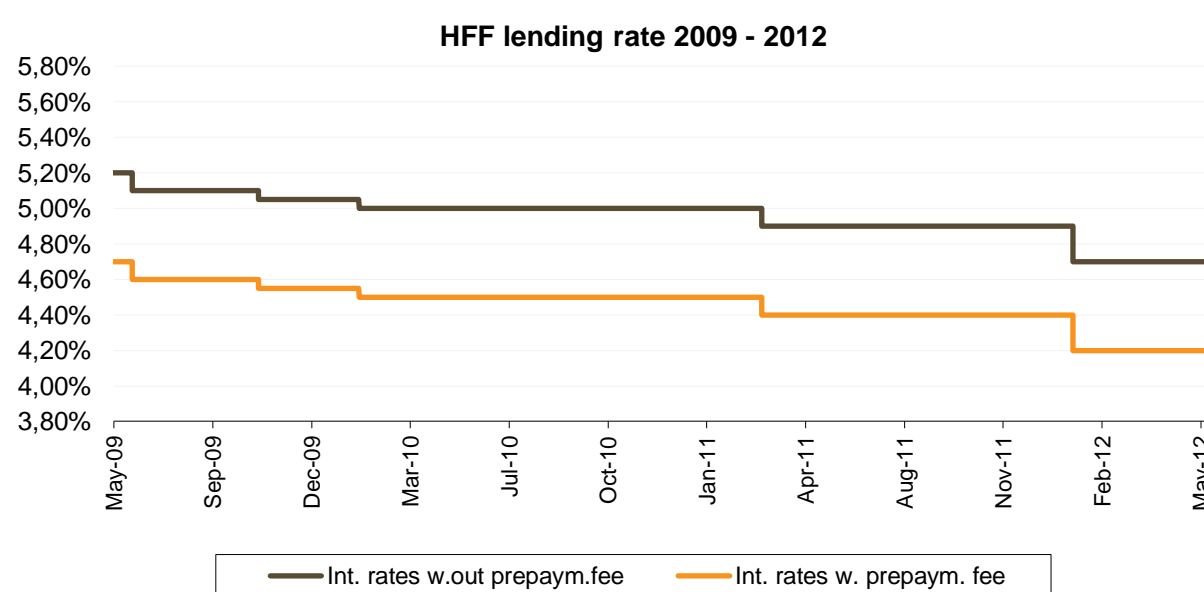
The Fund's amortization payments on HFF-bonds and other liabilities came to almost ISK 670 million this month. Prepaid mortgages amounted to ISK 2.1 billion.



| Series | Mar. 2012 | Apr. 2012 | May 2012 | Duration | Face value | Outst. n. value |
|--------|-----------|-----------|----------|----------|------------|-----------------|
| HFF14 | 0,90% | 0,49% | 0,59% | 1,3 | 70,7 | 20,2 |
| HFF24 | 1,42% | 1,35% | 1,84% | 5,7 | 164,2 | 112,6 |
| HFF34 | 2,17% | 2,17% | 2,46% | 10,2 | 176,3 | 146,5 |
| HFF44 | 2,63% | 2,65% | 2,77% | 13,7 | 274,5 | 248,7 |

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of April '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) | Sept. 2011 | May 2012 |
|---------------------------------|------------|----------|
| Pension Funds | 62,2% | 61,7% |
| Securities and Investment Funds | 11,5% | 14,0% |
| Foreign Investors | 8,0% | 7,8% |
| Credit Institutions | 4,5% | 5,0% |
| Other Corporations | 3,5% | 3,8% |
| Individuals | 3,5% | 2,9% |
| Banks and Savings Banks | 3,7% | 1,7% |
| Others | 3,3% | 3,1% |



HFF Auctions, Lending and Payments

Actual Figures 2012

| Billion ISK | Forecast | | Actual | Revised forecast 2012 | Actual January - May 2012 |
|--------------------|----------|-----|---------|-----------------------|---------------------------|
| | Q2 | Q2 | | | |
| HFF bond issuance* | 6 - 7 | 0,0 | 24 - 30 | 3,3 | |
| New HFF lending | 4 - 6 | 2,1 | 15 - 21 | 5,8 | |
| HFF total payments | 19 - 21 | 9,4 | 54 - 60 | 29,0 | |

*Nominal value

Revised forecast 2012

| Billion ISK | 2Q | 3Q | 4Q | Total |
|------------------------|---------|---------|---------|---------|
| HFF bond issuance (Mv) | 9 - 11 | 6 - 8 | 9 - 11 | 24 - 30 |
| HFF bond issuance (Nv) | 6 - 7 | 4 - 6 | 6 - 7 | 16 - 20 |
| New HFF lending | 4 - 6 | 6 - 8 | 5 - 7 | 15 - 21 |
| HFF total payments | 19 - 21 | 16 - 18 | 19 - 21 | 54 - 60 |

