

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2.9 billion in mortgages this month. Of that amount, about ISK 2.7 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.3 billion in May of last year. The average loan amount issued for privately owned homes was ISK 10.5 million this month compared to around ISK 9.95 million in April. In the first five months this year, the Fund issued around ISK 9.7 billion compared to ISK 6 billion for the same period in 2010.

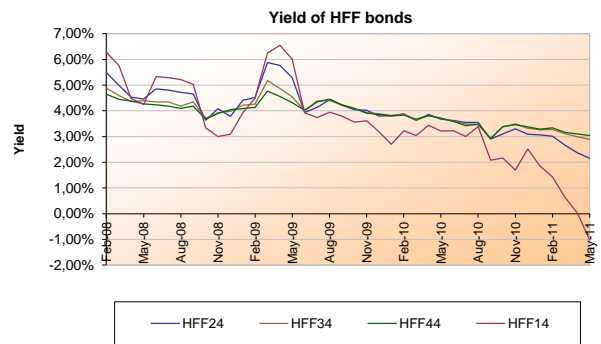
On May 18th, Standard & Poor's credit ratings agency lowered its rating on the Fund to BB with a negative outlook in line with the reduction of the long-term local-currency sovereign credit rating of the Republic of Iceland. Furthermore, the Fund has been removed from CreditWatch.

The CPI (Consumer Price Index) based on prices in May rose 0.94% from the previous month and less housing cost it rose 0.73%. The CPI is 3.4% higher in May 2011 than in May 2010 and the CPI less housing cost is 3.1% higher than one year ago. Over the last three months, the index has increased 2.7%, equivalent to an annual inflation rate of 11.2% or 10.3% inflation for CPI less housing cost.

HFF bond yields rose 23-29 points, depending on the bond series. HFF14 rose 43 points.

Total turnover of HFF bonds reached approximately ISK 74 billion this month, compared to about ISK 54 billion in April.

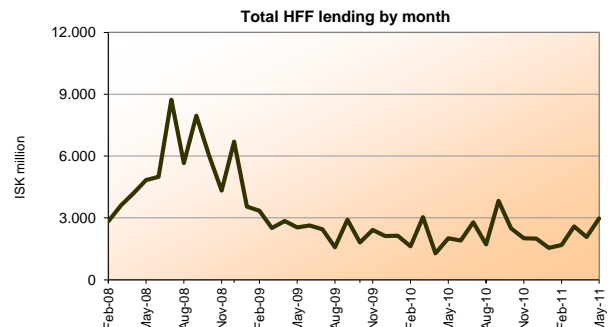
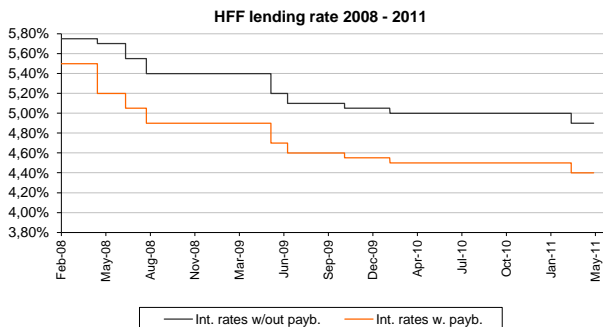
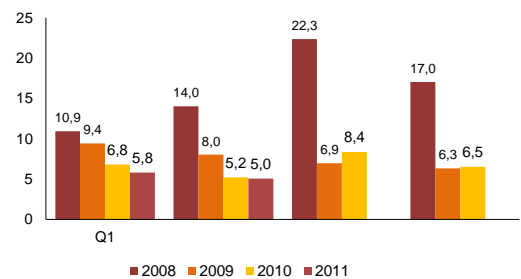
HFF's payments came to roughly ISK 540 million this month. Prepayment of mortgages amounted to about ISK 900 million in May.



Series	Mar. 2011	Apr. 2011	May 2011	Duration	Face value	Outst. F. value
HFF14	0,03%	-1,02%	-0,59%	1,8	70,7	27,8
HFF24	2,37%	2,16%	2,45%	6,1	164,2	119,9
HFF34	2,99%	2,89%	3,17%	10,3	173,2	148,1
HFF44	3,11%	3,04%	3,28%	13,6	265,9	244,6

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of May '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 Auctions, Lending and Payments

Actual Figures 2011

Billion ISK	Forecast Q2	Actual Q2	Forecast 2011	Actual Jan - May 2011
HFF bond issuance*	8 - 10	0,0	30 - 38	5,5
New HFF lending	7 - 9	5,0	27 - 35	10,9
HFF total payments	17 - 19	8,6	65 - 73	27,2

*Nominal value

Forecast 2011

Billion ISK	1Q	2Q	3Q	4Q	Total 2011
HFF bond issuance*	7 - 9	8 - 10	6 - 8	9 - 11	30 - 38
New HFF lending	6 - 8	7 - 9	7 - 9	7 - 9	27 - 35
HFF total payments	16 - 18	17 - 19	14 - 16	18 - 20	65 - 73

*Nominal value

HFF bonds auctions

