

## Market Developments

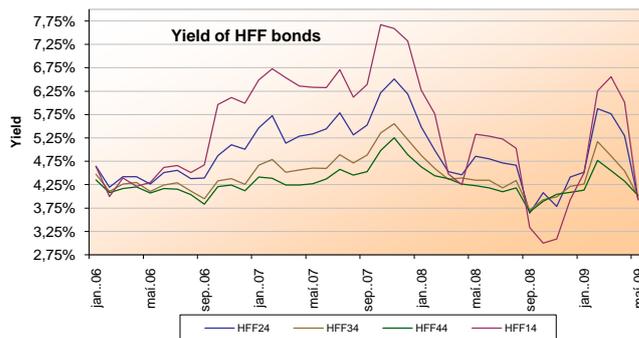
The Housing Financing Fund (HFF) issued roughly ISK 2,5 billion in mortgages this month. Of that amount ISK 1,8 billion were general mortgages and ISK 700 million rental housing mortgages. This is a decrease of almost 11% from the amount issued in April. The value of issued mortgages in the first five months of the year is approximately ISK 14,8 billion, a decrease of about 26% from the same period in 2008.

On May 11th, HFF held its 3rd auction of HFF bonds this year. The total bids received came to ISK 12 billion nominal value. Bids were accepted for ISK 750 million nominal value in series HFF24 at the average yield of 4.41% without commission, ISK 1.1 billion in series HFF34 at the average yield of 4.30% without commission, ISK 1.6 billion in series HFF44 at the average yield of 4.10% without commission. As a result of the auction, HFF cut its interest rates by 20 percentage points. Hence, the Fund's rates are presently 4.70% on mortgages including a prepayment clause and 5.20% on mortgages excluding such a clause. These rates took effect on May 12th 2009.

Total turnover of HFF bonds reached close to ISK 64.3 billion in May, an increase of 46% from April. This year, total turnover of the bonds amounts to ISK 332.5 billion, so far.

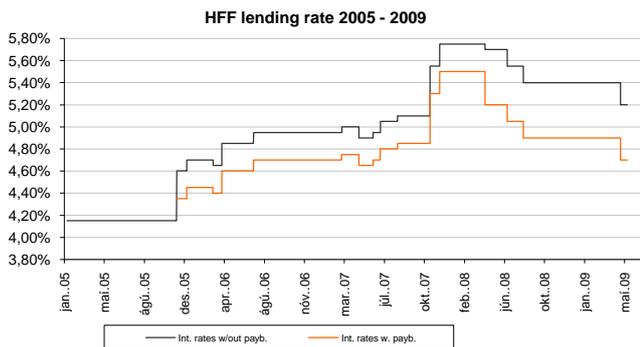
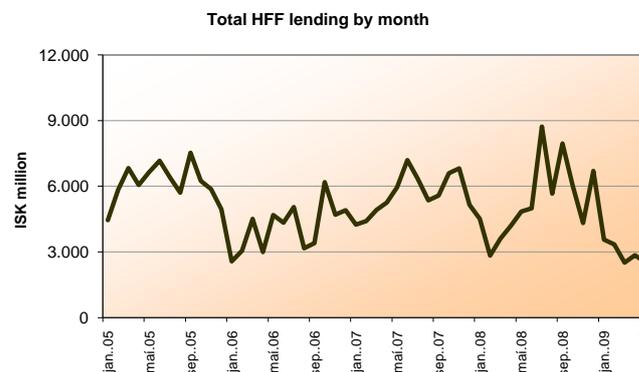
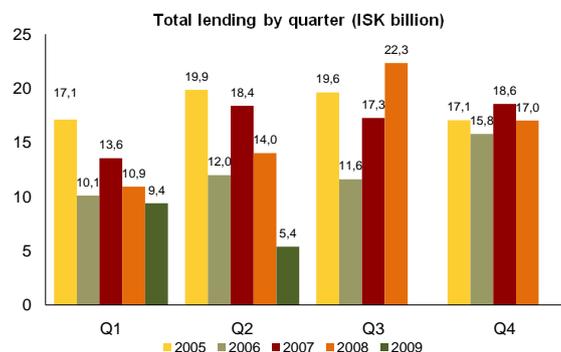
Past due mortgage payments amount to approximately ISK 800 million in May. The proportion of past due payments is presently 0.14% which is an increase from earlier this year but the percentage was 0.10% January 1st this year. Underlying mortgages of past due payments are not categorized as defaulted payments, only past due payments of the mortgages and indeed mortgages with defaulted payments are not called in according to standing rules.

HFF's payments came to ISK 701 million this month with the majority of the amount representing payments of housing authority bonds.



Series	Mar. 2009	Apr. 2009	May 2009	Duration	Face value	Outst. F.value
HFF14	6,55%	6,01%	3,92%	2,7	82,3	49,0
HFF24	5,77%	5,30%	3,94%	6,7	151,5	122,8
HFF34	4,87%	4,54%	4,01%	10,6	150,8	134,8
HFF44	4,56%	4,33%	4,02%	13,5	232,0	219,6

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of May '09  
Of the total issuance of the face value, ISK 7.2 bn in HFF14, 7.2 bn in HFF24, 7.2 bn in HFF34 and HFF44 directly belong to the lending facilitation for HFF bond market makers



## HFF Auctions, Lending and Payments

### Actual Figures 2009

MISK	Forecast Q2	Actual Q2	Forecast 2009	Actual Jan-May 2009
HFF bond issuance	8-10	3,5	33-38	9,3
New HFF lending	10-12	5,4	41-47	14,8
HFF payments	14-16	7,1	59-65	25,2

### Revised forecast for 2009

MISK	1Q	2Q	3Q	4Q	Total 2009
HFF bond issuance	6	8-10	10-12	9-10	33-38
New HFF lending	9	10-12	12-14	10-12	41-47
HFF payments	18	14-16	13-15	14-16	59-65

