

Market Developments

The Housing Financing Fund (HFF) issued almost ISK 1.7 billion in mortgages this November. Of that amount, approximately ISK 1.3 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.9 billion in November 2010. The average loan amount issued for privately owned homes was about ISK 9.5 million this month. In the first 11 months this year, the Fund has issued approximately ISK 20.5 billion compared to ISK 16.8 billion for the same period in 2010.

This month, the Treasury repurchased non-indexed bonds in series RIKH 18 1009 from HFF at ISK 32.5 billion in exchange, the Treasury will deliver indexed RIKS 30 0701 bonds amounting to ISK 31.6 billion. The transaction was settled on November 9th. This measure will replace the non-indexed Treasury's capital contribution to HFF with indexed securities. The objective is to reduce the Fund's indexation risk, as most of the Fund's obligations are indexed. The swap will have an insignificant impact on Treasury debt.

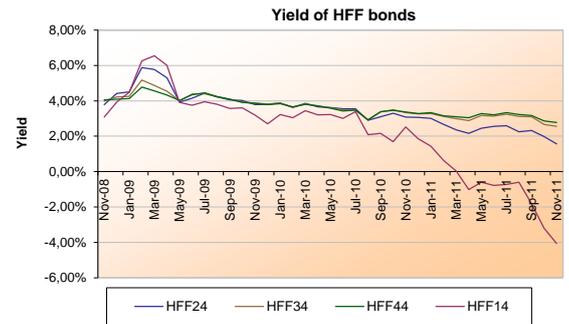
On November 24th, Standard & Poor's Ratings Services announced that it had revised the outlook on the Housing Financing Fund (HFF), to stable from negative. At the same time, the ratings BB/B on foreign currency and BBB-/A- on local currency were affirmed. The revision in outlook reflects the outlook revision on the Republic of Iceland, to stable from negative.

The yield on all HFF bonds declined in September. The decline was 10-42 points depending on the series, but HFF14 declined by 88 points. Since the beginning of 2011, the yield on all HFF bonds has dropped 52-150 points, and HFF14 the most, or 593 points.

In the September monthly report, HFF released statistics on HFF bond holders and their share. The information was somewhat inaccurate and has now been corrected. As of June 30th, 2011, Pension Funds owned 63.1% of issued HFF bonds, Securities-and Investment Funds 11.8%, foreign investors 5.9%, banks and loan institutions 5.0%, and other investors about 14%. The table (on right) also lists the numbers as of September 30th, 2011.

Total turnover of HFF bonds reached approximately ISK 67 billion this month, compared to roughly ISK 61 billion in October 2011.

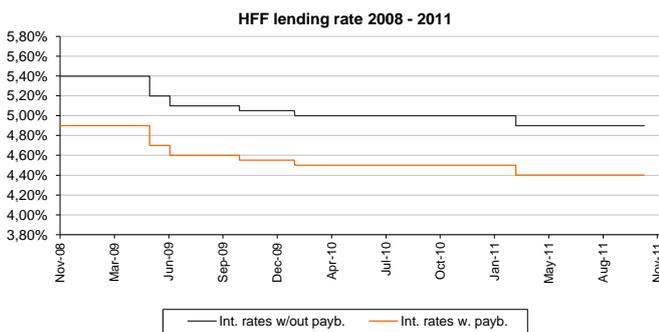
The Fund's amortization payments on HFF-and housing bonds and other liabilities came to around ISK 600 million this month. Prepaid mortgages amounted to ISK 1.1 billion.



Series	Sept. 2011	Oct. 2011	Nov. 2011	Duration	Face value	Outst. n. value
HFF14	-1,81%	-3,19%	-4,07%	1,6	70,7	24,0
HFF24	2,32%	1,98%	1,56%	6,0	164,2	116,3
HFF34	3,09%	2,66%	2,56%	10,3	176,3	148,6
HFF44	3,17%	2,87%	2,77%	13,8	271,2	247,7

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of November '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)	Jun. 2011	Sept. 2011
Pension Funds	63,1%	62,2%
Securities and Investment Funds	11,8%	11,5%
Foreign Investors	5,9%	8,0%
Credit Institutions	5,0%	4,5%
Banks and Savings Banks	3,7%	3,7%
Other Corporations	3,6%	3,5%
Individuals	3,6%	3,5%
Others	3,3%	3,3%



HFF Auctions, Lending and Payments

Actual Figures 2011

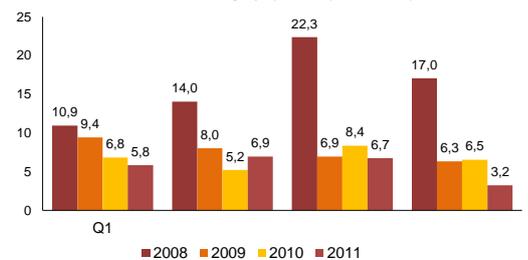
Billion ISK	Forecast Q4	Actual Q4	Forecast 2011**	Actual Jan-Nov 2011
HFF bond issuance**	7 - 9	3,9	14 - 18	13,9
New HFF lending	6 - 8	3,2	12 - 16	22,7
HFF total payments	18 - 20	9,0	33 - 37	64,8

**Forecast for Q3 and Q4
*Nominal value

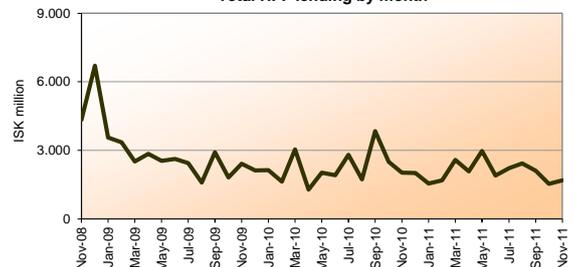
Revised forecast 2011

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	18 - 20	33 - 37

Total lending by quarter (ISK billion)



Total HFF lending by month



HFF bonds auctions

