

Market Developments

The Housing Financing Fund (HFF) issued approximately ISK 1.1 billion in mortgages in July. Of that amount, about ISK 1 billion was for privately owned homes. In comparison, this amount was approximately ISK 2.2 billion in July 2011. The average loan amount issued for privately owned homes this month came to around ISK 10.9 million.

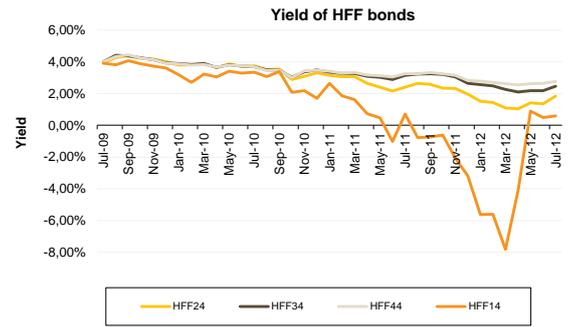
The Consumer Price Index (CPI) based on prices in July 2012 declined 0.72% since last month (1.0 % less housing cost). In the last 12 months the CPI has risen 4.6%, and 4.7% less housing cost. In the last 3 months, the CPI dropped 0.3% which is equivalent to a 1.0% annual deflation (or a 1.9% annual deflation rate less housing cost.)

The Fund has issued a total of 716 mortgages for privately owned homes this year, compared to 1.339 for the same period in 2011.

The yield on HFF24, HFF34 and HFF44 decreased by 3 – 18 basis points in July. HFF14 rose by 26 basis points since last month.

The total turnover of HFF bonds reached approximately ISK 20.7 billion this month, compared to roughly ISK 51.2 billion in June 2012.

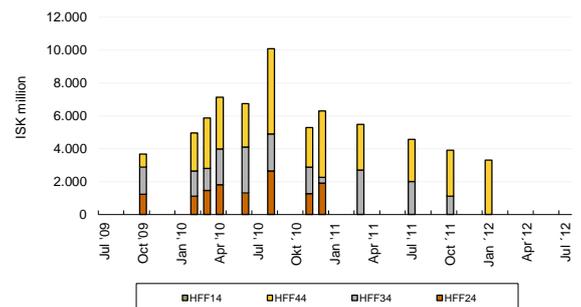
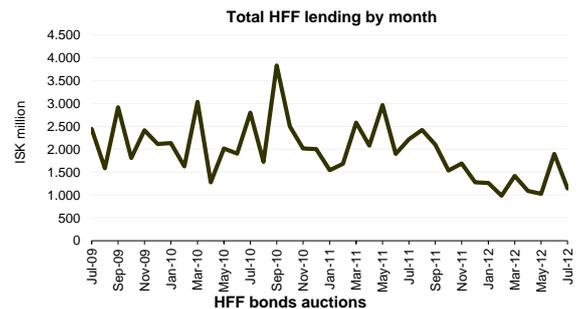
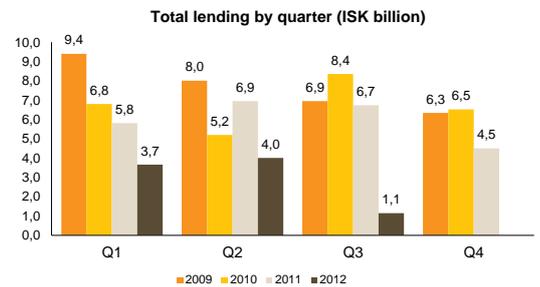
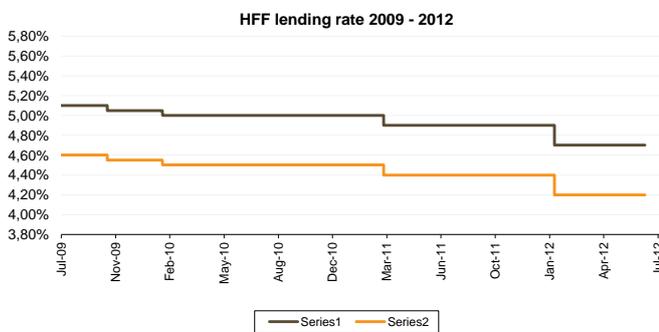
The Fund's amortization payments on HFF-bonds and other liabilities came to almost ISK 400 million this month and prepaid mortgages amounted to ISK 1.5 billion.



Series	May 2012	June 2012	July 2012	Duration	Face value	Outst. n. value
HFF14	0,59%	0,86%	1,12%	1,1	70,7	20,2
HFF24	1,84%	2,14%	1,96%	5,6	164,2	112,6
HFF34	2,46%	2,50%	2,38%	10,0	176,3	146,5
HFF44	2,77%	2,75%	2,71%	13,9	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	July 2012
Pension Funds	62,2%	61,8%
Securities and Investment Funds	11,5%	14,4%
Foreign Investors	8,0%	6,5%
Credit Institutions	4,5%	5,3%
Other Corporations	3,5%	3,8%
Individuals	3,5%	3,0%
Banks and Savings Banks	3,7%	2,2%
Others	3,3%	3,1%



HFF Auctions, Lending and Payments

Actual Figures 2012

Billion ISK	Forecast		Revised forecast		Actual January July 2012
	3Q	Actual 3Q	2012	2012	
HFF bond issuance*	4 - 6	0,0	10 - 14	3,3	
New HFF lending	7 - 9	1,1	13 - 17	8,8	
HFF total payments	17 - 19	9,4	37 - 41	41,5	

*Nominal value

Revised forecast 2012

Billion ISK	3Q	4Q	Total
HFF bond issuance (Mv)	6 - 8	9 - 11	15 - 19
HFF bond issuance (Nv)	4 - 6	6 - 8	10 - 14
New HFF lending	7 - 9	6 - 8	13 - 17
HFF total payments	17 - 19	20 - 22	37 - 41