

## Market Developments

The Housing Financing Fund (HFF) issued around ISK 2.1 billion in mortgages this month. Of that amount, roughly ISK 1.9 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.9 billion in September of last year. The average loan amount issued for privately owned homes was about ISK 8.7 million this month. In the first 9 months this year, the Fund has issued approximately ISK 17.7 billion compared to ISK 12.9 billion for the same period in 2010.

On September 30th, the Fund decided to hold its third HFF bond auction this year, announcing its result and interest rate decision on October 3rd.

The CPI (Consumer Price Index) based on prices in September was 0.63% higher than in August (less housing cost it was 0.75% higher). In the past 12 months, the CPI has increased 5.7% (less housing cost 5.5%) and over the last 3 months, the index has increased 1.0%, equivalent to an annual inflation rate of 4.1% (3.6% inflation for the CPI less housing cost).

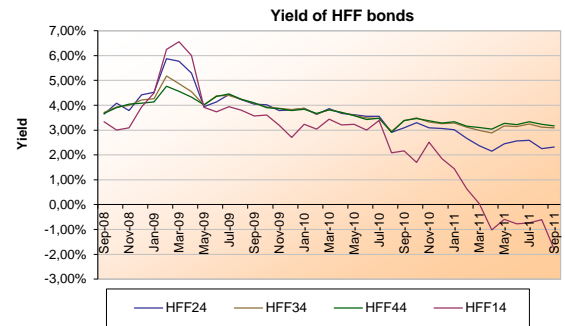
In the last 9 months, HFF issued a total of 1.753 mortgages, compared to 1.413 mortgages for the same period last year, an increase of about 24%. According to Registers Iceland, a total of 3.937 real estate sales contracts were registered for that same period in 2011, compared to 3.570 in 2010, an increase of 10%.

The yield on HFF14, HFF34 and HFF44 declined by 2-120 points in September. HFF24 rose by 6 points. Since the beginning of 2011, the yield on all HFF bonds has dropped 12-75 points, and HFF14 the most, or 366 points.

HFF funds itself by issuing HFF-, Housing and Housing Authority bonds. On June 30th, issued HFF bonds (liabilities) amounted to 97% of all issued bonds at market value. The chart on the right shows HFF-bond holders.

Total turnover of HFF bonds reached approximately ISK 47 billion this month, compared to roughly ISK 64 billion in August.

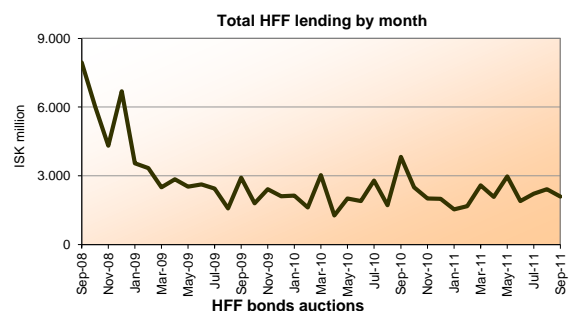
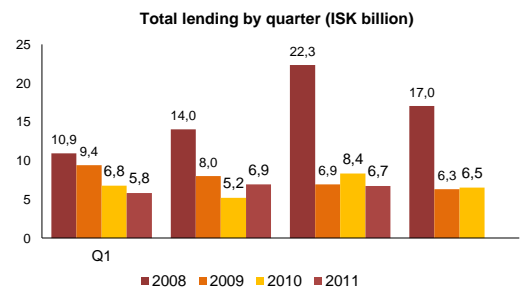
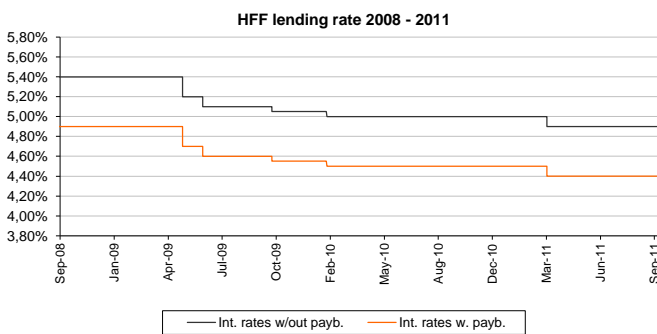
The Fund's repayments on HFF-and housing bonds came to around ISK 7.3 billion this month. Prepaid mortgages amounted to ISK 979 million.



Series	July 2011	Aug. 2011	Sept. 2011	Duration	Face value	Outst. F. value
HFF14	-0,73%	-0,61%	-1,81%	1,7	70,7	24,0
HFF24	2,59%	2,25%	2,32%	6,1	164,2	116,3
HFF34	3,25%	3,12%	3,09%	10,0	175,2	149,8
HFF44	3,34%	3,23%	3,17%	13,7	268,4	245,1

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of September '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 June 30, 2011	Share
Pention Funds	57%
Foreign Investors	18%
Securities and Investment Funds	7%
Credit Institutions	5%
Banks and Savings Banks	4%
Housing Financing Fund	3%
Other Corporations	3%
Individuals	2%
Others	1%



## HFF Auctions, Lending and Payments

### Actual Figures 2011

Billion ISK	Forecast Q3	Actual Q3	Forecast 2011**	Actual Jan-Sept 2011
HFF bond issuance**	7 - 9	4,6	14 - 18	10,0
New HFF lending	6 - 8	6,7	12 - 16	19,5
HFF total payments	15 - 17	17,4	33 - 37	55,8

\*\*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

