

Market Developments

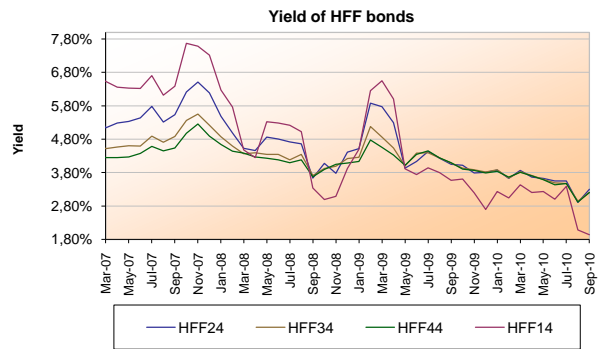
The Housing Financing Fund (HFF) issued roughly ISK 3.8 billion in mortgages in September. Of that amount, roughly ISK 1.9 billion were mortgages for private ownership. The total amount of issued mortgages in the first nine months of 2010 comes to about ISK 20 billion, compared to approximately ISK 24 billion for the same period in 2009. The average loan amount issued for private ownership housing was ISK 10.2 million this month compared to approximately ISK 10.1 million in September.

The yield on HFF bonds fluctuated significantly in September; it declined in all bond series during the first half of the month but rose significantly during the second half. On September 22nd, the Monetary Policy Committee of the Central Bank lowered the interest and deposit rates by 0.75%, resulting in a 44-84 point increase in HFF bond yields, depending on the bond series. The yield in HFF14 declined by 14 points in September but rose by 26-40 points in other bond series, varying upon the series. Since the beginning of the year, the yield has declined by 50-76 points, depending on the series.

Total turnover of HFF bonds reached approximately ISK 199 billion this month, compared to ISK 65 billion in September. So far, total turnover of the bonds amounts to roughly ISK 439 billion this year, compared to ISK 713 billion for the same period last year.

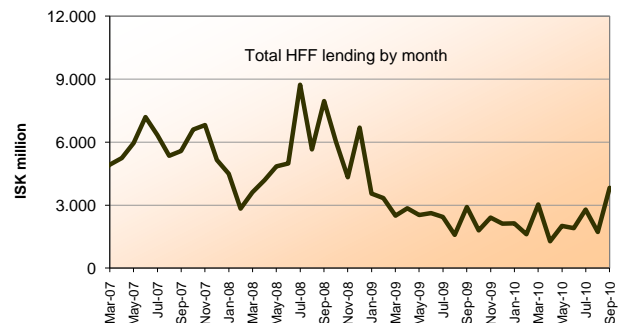
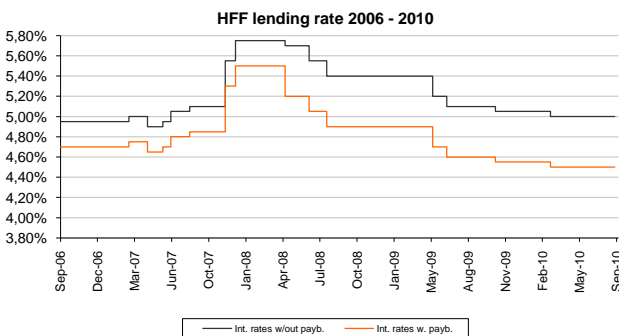
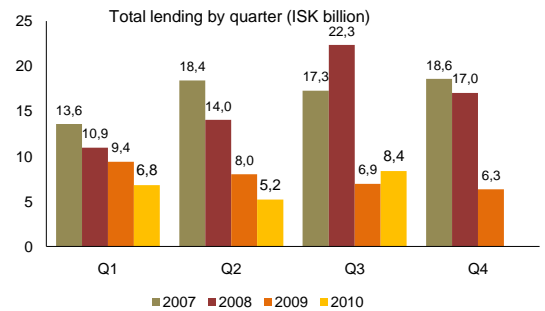
Pursuant to the Housing Act No. 44/1998 with subsequent amendments, HFF is authorized to make additional calls of Housing Bonds. Based on this Act, the Fund made an additional Housing Bond call in September for ISK 3.6 billion, mostly payable in November and December 2010.

HFF's payments came to ISK 7 billion this month, mostly due to amortizations of housing bonds. The amount of prepaid mortgages amounted to almost ISK 2.6 billion.



Series	July 2010	Aug. 2010	Sept. 2010	Duration	Face value	Outst. F. value
HFF14	3,39%	2,08%	1,94%	2,0	70,7	31,4
HFF24	3,55%	2,91%	3,31%	6,5	161,0	121,1
HFF34	3,47%	2,95%	3,20%	10,5	168,5	148,0
HFF44	3,48%	2,92%	3,21%	14,3	256,6	237,9

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of September '10
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.



HFF Auctions, Lending and Payments

Actual Figures 2010

MISK	Forecast Q3	Actual Q3	Forecast 2010	Actual Jan-Sep 2010
HFF bond issuance	10 - 12	10,1	42 - 50	34,8
New HFF lending	7 - 9	8,4	25 - 33	20,3
HFF payments	14 - 16	16,7	65 - 73	57,5

Revised Forecast 2010

MISK	1Q	2Q	3Q	4Q	Total 2010
HFF bond issuance	9 - 11	12 - 14	10 - 12	11 - 13	42 - 50
New HFF lending	5 - 7	6 - 8	7 - 9	7 - 9	25 - 33
HFF payments	15-17	20 - 22	14 - 16	16-18	65 - 73

