

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2.5 billion in mortgages in October. Of that amount, roughly ISK 2 billion were mortgages for private ownership. The total amount of mortgages issued in the first ten months of 2010 comes to about ISK 26 billion, compared to approximately ISK 26 billion for the same period in 2009. The average loan amount issued for private ownership housing was ISK 9.6 million this month compared to approximately ISK 10.2 million in September.

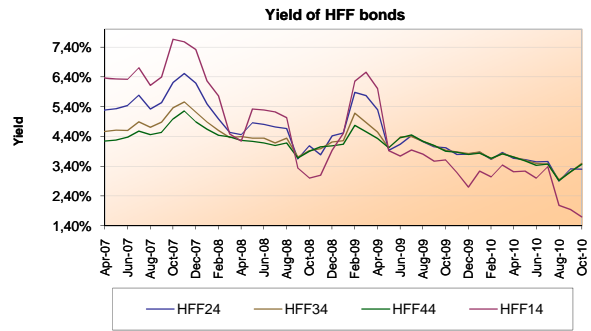
On October 5th, HFF and its market makers decided to make some temporary changes in Article 3 in the Primary Dealership Agreements, signed on June 16th 2010, taking effect on July 10th 2010. The changes dealt with auctions of HFF bonds and market making in HFF bonds, temporarily creating a larger spread in bond series HFF150224, HFF150434 and HFF150644, intended to simplify market making in the secondary market.

The Board of HFF has decided to change the Fund's organizational chart as a result of significant changes in HFF'S highlights in the past months. The implementation of the new organizational chart is in process.

On October 27th, Statistics Iceland released the CPI (Consumer Price Index) for October which increased by 0.74% from the previous month. The index was higher than markets had forecasted. Consequently, the yield on HFF bonds rose in series HFF14 by 28 points, but decreased by 9-18 points in longer maturity HFF bonds.

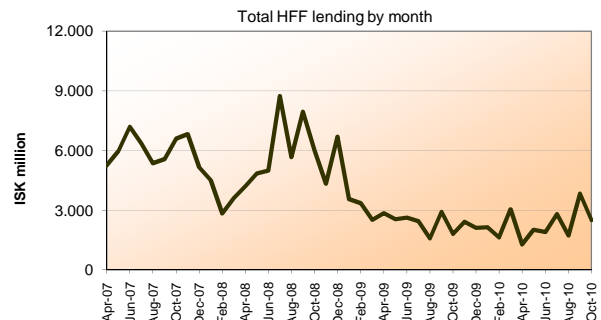
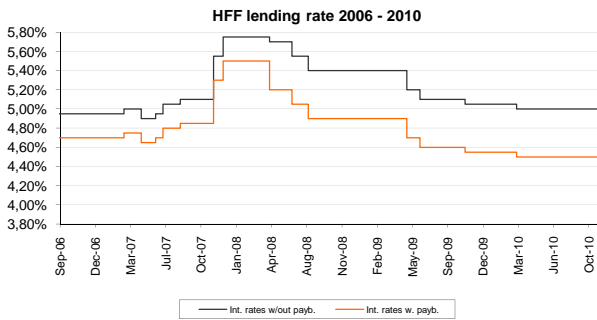
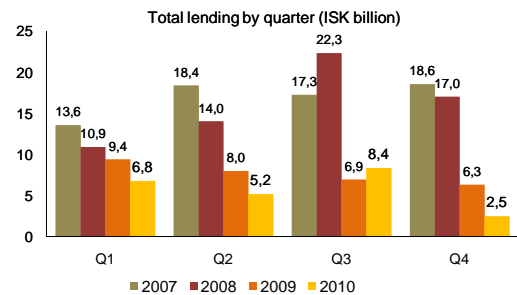
Total turnover of HFF bonds reached approximately ISK 70 billion this month, compared to ISK 199 billion in September. So far, total turnover of the bonds amounts to roughly ISK 708 billion this year, compared to ISK 809 billion for the same period last year.

HFF's payments came to almost ISK 7.6 billion this month, mostly due to amortizations of housing bonds. The amount of prepaid mortgages amounted to almost ISK 1.4 billion in October.



Series	Aug. 2010	Sept. 2010	Oct. 2010	Duration	Face value	Outst. F. value
HFF14	2,08%	1,94%	1,70%	2,1	70,7	31,4
HFF24	2,91%	3,31%	3,30%	6,3	161,0	121,1
HFF34	2,95%	3,20%	3,49%	10,4	168,5	146,1
HFF44	2,92%	3,21%	3,46%	13,7	256,6	237,9

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of October '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 Q4	Actual Q4	Forecast 2010	Actual Jan-Oct 2010
HFF bond issuance	11 - 13	0,0	42 - 50	34,8
New HFF lending	7 - 9	2,5	25 - 33	22,8
HFF payments	16 - 18	7,6	65 - 73	65,0

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

