

## Market Developments

The Housing Financing Fund (HFF) issued around ISK 1.5 billion in mortgages this month. Of that amount, roughly ISK 1.4 billion was for privately owned homes. In comparison, this amount was approximately ISK 2 billion in October of last year. The average loan amount issued for privately owned homes was about ISK 9.2 million this month. In the first 10 months this year, the Fund has issued approximately ISK 19.2 billion compared to ISK 14.9 billion for the same period in 2010.

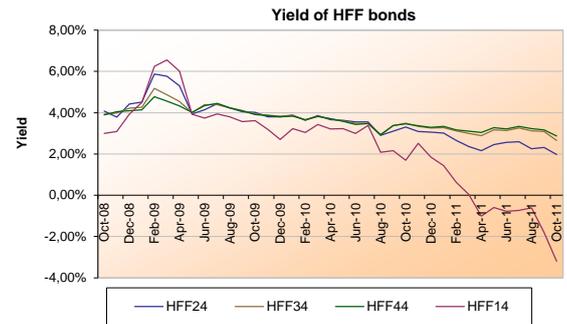
On September 30<sup>th</sup>, HFF held a HFF-bond auction, receiving valid offers amounting to ISK 6.4 billion at nominal value or ISK 9.8 at market value. Accepted offers in series HFF150434 amounted to ISK 1.1 billion (ISK 1.6 billion at market value), with a weighted average yield of 3.13%, without commission. Accepted offers for HFF150644 were ISK 2.8 billion (ISK 4.5 billion at market value), with a weighted average yield of 3.21%, without commission.

October 3<sup>rd</sup>, 2011 was the settlement date for the transactions and the weighted average yield of accepted offers without commission was 3.19%, and 3.20% with commission. HFF determines its lending interest on the average yield resulting from HFF bond auctions, in addition to the weighted finance costs of prepaid mortgages. The interest premium due to operational costs is 0.45%, 0.45% due lending risk and 0.50% due to prepayment risk. The weighted interest rate in the auction and for prepaid mortgages is 3.54%. As a result, the Fund's lending interest rate will remain the same, i.e. 4.40% on mortgages that include prepayment auctions and 4.90% on mortgages without such a clause.

The yield on HFF24, HFF34 and HFF44 declined by 30-43 points in October, depending on the bond series and the yield on HFF14 dropped by 139 points. Since the beginning of 2011, yields on all HFF bond series have declined about 42-109 points and around 505 points on HFF14.

Total turnover of HFF bonds reached approximately ISK 61 billion this month, compared to roughly ISK 47 billion in September this year.

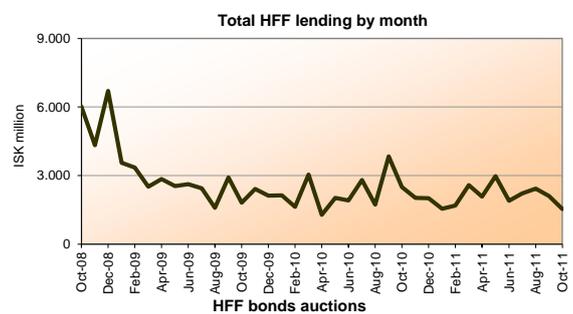
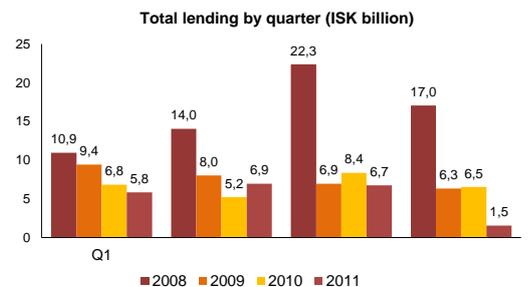
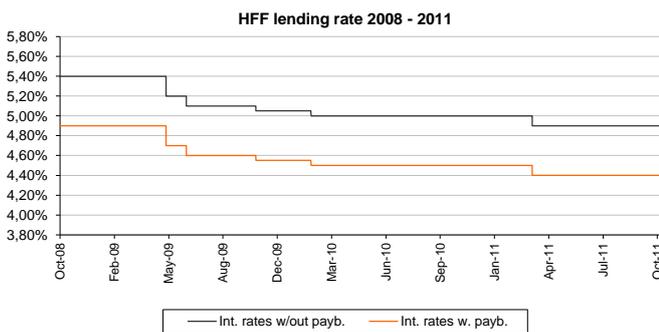
The Fund's repayments payments on HFF-and housing bonds came to around ISK 8.4 billion this month. Prepaid mortgages amounted to ISK 1.3 billion.



Series	Aug. 2011	Sept. 2011	Oct. 2011	Duration	Face value	Outst. n. value
HFF14	-0,61%	-1,81%	-3,19%	1,7	70,7	24,0
HFF24	2,25%	2,32%	1,98%	6,1	164,2	116,3
HFF34	3,12%	3,09%	2,66%	10,0	176,3	148,6
HFF44	3,23%	3,17%	2,87%	13,7	271,2	247,7

\*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
Pension 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		Actual	
	Q4	Q4	Q4	Q4
HFF bond issuance**	7 - 9	3,9	14 - 18	13,9
New HFF lending	6 - 8	1,5	12 - 16	21,0
HFF total payments	18 - 20	8,3	33 - 37	64,1

\*\*Forecast for Q3 and Q4  
\*Nominal value

### Revised forecast 2011

Billion ISK	3Q		4Q		Total
	3Q	4Q	3Q	4Q	
HFF bond issuance (Nominal value)	7 - 9	7 - 9	10 - 13	10 - 13	14 - 18
HFF bond issuance (Market value)	10 - 13	10 - 13	6 - 8	6 - 8	20 - 26
New HFF lending	6 - 8	6 - 8	15 - 17	18 - 20	12 - 16
HFF total payments	15 - 17	18 - 20	33 - 37	33 - 37	33 - 37

