

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1.8 billion in mortgages in October. Of that amount, approximately ISK 1.5 billion were general mortgages but almost ISK 300 million were loans in other categories. The total amount issued this month decreased by almost 38% from last month. The average general loan amount was approximately ISK 9.3 million this month which is about 7% lower than last month's amount. The total amount issued in mortgages so far this year comes to around ISK 26 billion, which is 51% less than during the same period in 2008.

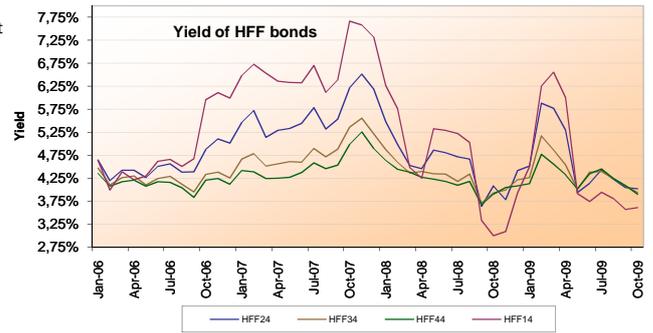
On October 7th, HFF released a revised forecast for 2009 on mortgages issuance, HFF bond auctions and liability payments. The Fund forecasts to issue HFF bonds for ISK 19-21 billion at nominal value, a decrease of ISK 9 -11 billion from the previous forecast. The Fund forecasts to issue ISK 31-33 billion this year, about ISK 5-7 billion less than previously forecasted. Liability payments to creditors are expected to reach ISK 62-64 billion this year, an increase of ISK 2 billion from previous figures.

On October 22nd, HFF held its fifth bond auction this year and received bids totaling ISK 22.211 billion at nominal value. The Fund accepted bids amounting to ISK 3.680 billion; ISK 1.220 billion in series HFF24 with an average yield of 4.10% excluding commission, ISK 1.660 billion in series HFF34 with an average yield of 4.08% excluding commission; ISK 0,8 billion in series HFF44 with an average yield of 4.03% excluding commission. As a result of the auction, the Fund's interest rates were lowered by 0.05%. Presently, the rate is 4.55% on loans containing a prepayment clause and 5.05% on loans without such a clause. These interest rates took effect on October 23rd 2009.

On October 23rd, the Parliament passed a bill on mortgage restructuring for individuals, businesses and homes due to the collapse of the Icelandic banking system last fall. The bill involves amendments on law 63/1985 regarding mortgage restructuring for individuals. The main change involves a limit on restructured mortgages, i.e. loan terms are extended by a maximum of 3 years. If there is a remaining balance on mortgages after the three year period, that balance is cancelled. All inflation indexed mortgages (excluding ones with defaulted payments) will automatically be restructured as of December 1st unless borrowers request to be excluded from the process.

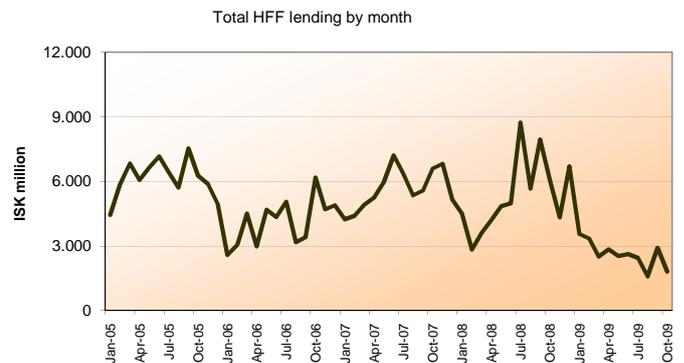
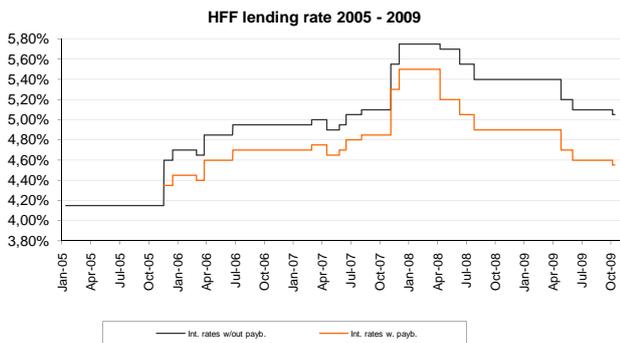
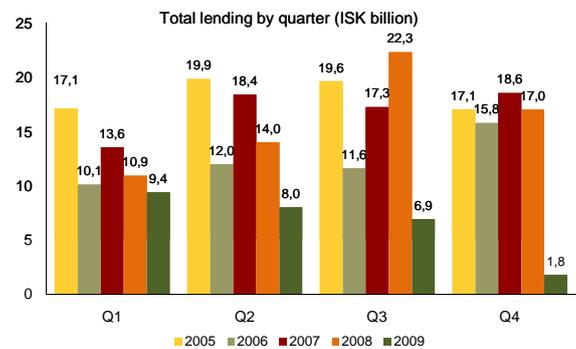
Total turnover of HFF bonds in October reached approximately ISK 97 billion which is 17% higher than last month's turnover. Hence, total turnover of HFF bonds amounts to ISK 809 billion so far this year. The yields for bonds in series HFF24, HFF34 and HFF44 decreased in October by 3 - 19 points depending on the series but increased for series HFF14 by 4 points.

HFF's liability payments came to ISK 6.9 billion in October with the majority of the amount representing payments on HFF bonds. Prepayments on HFF mortgages amounted to around ISK 594 billion, making total prepayments this year ISK 7.1 billion so far.



Series	Aug. 2009	Sep. 2009	Oct. 2009	Duration	Face value	Outst. F. value
HFF14	3,80%	3,57%	3,61%	2,6	70,7	38,6
HFF24	4,23%	4,05%	4,02%	6,6	152,7	121,3
HFF34	4,24%	4,09%	3,94%	10,6	158,4	140,9
HFF44	4,24%	4,09%	3,91%	13,6	240,3	223,4

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of October '09
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 HFF44 directly belong to the lending facilitation for HFF bond market makers.



HFF Auctions, Lending and Payments

Actual Figures 2009

MISK	Forecast Q4	Actual Q4	Forecast 2009	Actual Jan-Oct. 2009
HFF bond issuance	6-8	3,7	19-21	12,8
New HFF lending	7-9	1,8	31-33	26,2
HFF payments	15-17	6,9	62-64	55,6

Revised forecast for 2009

MISK	1Q	2Q	3Q	4Q	Total 2009
HFF bond issuance	6	7	0	6-8	19-21
New HFF lending	9	8	7	7-9	31-33
HFF payments	18	15	14	15-17	62-64

