

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2 billion in mortgages in November. Of that amount, almost ISK 1.9 billion were mortgages for private ownership. The total amount of mortgages issued in the first eleven months of 2010 comes to about ISK 25 billion, compared to approximately ISK 28.5 billion for the same period in 2009. The average loan amount issued for private ownership housing was ISK 8.3 million this month compared to approximately ISK 9.6 million in October.

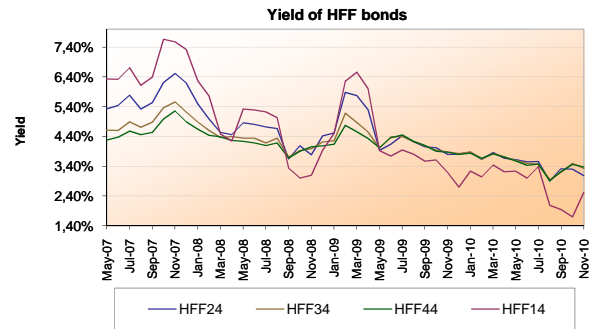
This month, Mr. Sigurður Erlingsson was appointed by the Board of HFF as CEO of the Fund. Mr. Erlingsson has a B.A. in Business Administration with a major in accounting from Andrews University in U.S.A (1994). He is also a certified stockbroker (1998), has a M.Sc. degree in Business from the University of Iceland (UI) with emphasis in finance, and an MBA from Reykjavik University (RU) (2010). From 2000 – 2008, Mr. Erlingsson worked at Landsbanki hf., first as a specialist in research and analysis and later as a manager of the bank's international department. From 2008, he worked for the NBI bank as a project manager and specialist in financial restructuring of larger companies. Before his time at Landsbanki hf., Mr. Erlingsson worked in middle management in finance for various companies. Since 2001, he has also worked as a part-time instructor for the business department and school of management at

On November 5th, the Board of HFF agreed to increase the maximum bid-ask spread specified in the Fund's Primary Dealership Agreements, originally signed on June 16th 2010. The maximum bid-ask spread throughout the term of the agreement will be 0.50% in bond series HFF24, 0.65% in HFF34 and 0.80% in HFF44, the objective being to simplify market making for HFF bonds in the secondary market.

On November 15th, HFF held its sixth bond auction in 2010. Total received bids came to ISK 8.29 billion at nominal value and accepted bids amounted to ISK 5.295 billion: ISK 1.270 billion in series HFF24 with the average yield of 3.11% without commission, ISK 1.615 billion in series HFF34 with the average yield of 3.34% without commission, and ISK 2.410 billion in series HFF44 with the average yield of 3.39% without commission. The weighted total yield of accepted bids without commission came to 3.31% and 3.33% with commission. The Fund's interest rates remained unchanged as a result of the auction, i.e. 4.50% on mortgages including a prepayment clause and 5.00% on mortgages without such a clause.

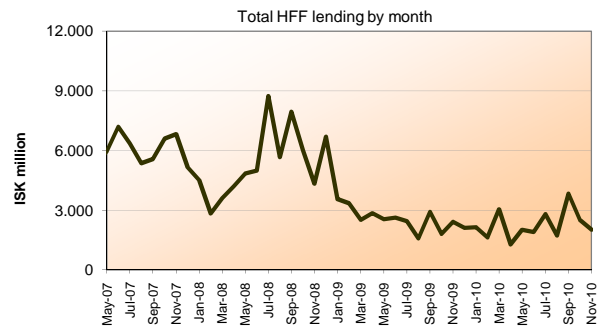
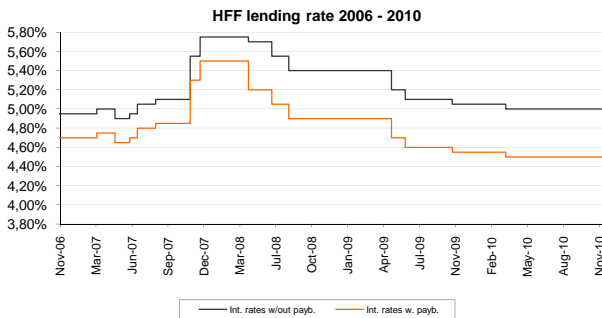
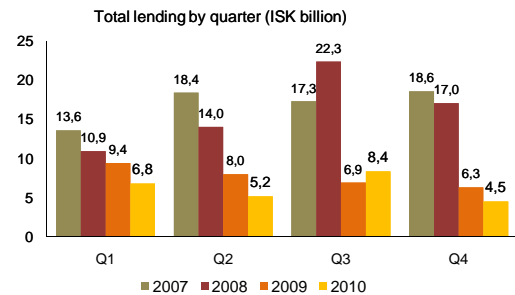
Total turnover of HFF bonds reached approximately ISK 119.5 billion this month, compared to ISK 70 billion in October. So far, total turnover of the bonds comes to roughly ISK 828 billion this year, compared to ISK 864 billion for the same period last year.

HFF's payments came to about ISK 3.4 billion this month, mostly due to an additional call for housing bonds. The amount of prepaid mortgages amounted to approximately ISK 2.3 billion in November.



| Series | Sept. 2010 | Oct. 2010 | Nov. 2010 | Duration | Face value | Outst. F. value |
|--------|------------|-----------|-----------|----------|------------|-----------------|
| HFF14 | 1,94% | 1,70% | 2,52% | 2,1 | 70,7 | 31,4 |
| HFF24 | 3,31% | 3,30% | 3,09% | 6,3 | 162,3 | 122,1 |
| HFF34 | 3,20% | 3,49% | 3,33% | 10,4 | 170,1 | 147,5 |
| HFF44 | 3,21% | 3,46% | 3,37% | 13,7 | 259,1 | 240,1 |

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

| | Forecast Q4 | Actual Q4 | Forecast 2010 | Actual Jan-Nov 2010 |
|-------------------|-------------|-----------|---------------|---------------------|
| MISK | | | | |
| HFF bond issuance | 11 - 13 | 5,3 | 42 - 50 | 40,1 |
| New HFF lending | 7 - 9 | 4,5 | 25 - 33 | 24,9 |
| HFF payments | 16 - 18 | 10,9 | 65 - 73 | 68,3 |

Revised Forecast 2010

| | 1Q | 2Q | 3Q | 4Q | Total 2010 |
|-------------------|--------|---------|---------|---------|------------|
| MISK | | | | | |
| 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 |

