

Market Developments

The Housing Financing Fund (HFF) issued almost ISK 2.9 billion in mortgages in September. Of that amount, approximately ISK 1.8 billion were general mortgages and almost ISK 1.1 billion were mortgages for rental housing. The total amount issued this month increased by close to 84% from the previous month. This increase is mostly due to increase in mortgages for rental housing. The average general loan was approximately ISK 10 million in September which is an increase of 2% from the previous month. The total amount issued in the third quarter amounted to about 6.9 billion which is about 15% less than in the second quarter and 35% less than in the first quarter of this year. The total amount issued so far in 2009 amounts to approximately ISK 24.4 billion, 51% less than for the same period last year.

In the third quarter HFF received 658 applications for loan restructuring due to financial difficulties which is 35% fewer applications than in the second quarter. During the first nine months of 2009 HFF has received 2485 applications which is 439% more than for the same period 2008. Solutions to payment difficulties include partial payment plans, refinancing of defaulted payments, suspension of payments, extension of maturity and payment detainment. Since HFF started offering payment detainment as a solution to difficulties 506 applications have been processed.

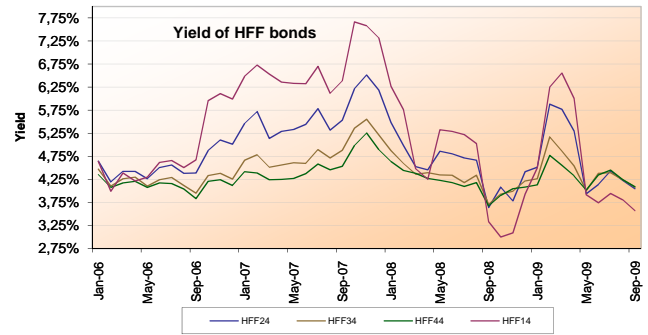
Total turnover of HFF bonds reached close to ISK 83 billion in September, a decrease of 17% from the previous month. So far this year the total turnover of HFF bonds amounts to almost ISK 712 billion. In September the return rate decreased slightly or by 15 to 24 points depending on series.

On September 30th HFF announced that it would not auction bonds in the third quarter. In July HFF published a reviewed forecast for lending, issuance and payments of the fund for 2009 but the forecast was to issue HFF bonds for ISK 7-9 billion in the third quarter. The fund's lending has been less in the third quarter than was forecast and the liquidity position has been good during the quarter. Revised forecast for HFF will be published in early October.

On September 23rd Moody's Investors Service published a revised credit rating for the Housing Financing Fund which can be accessed in whole at www.hff.is.

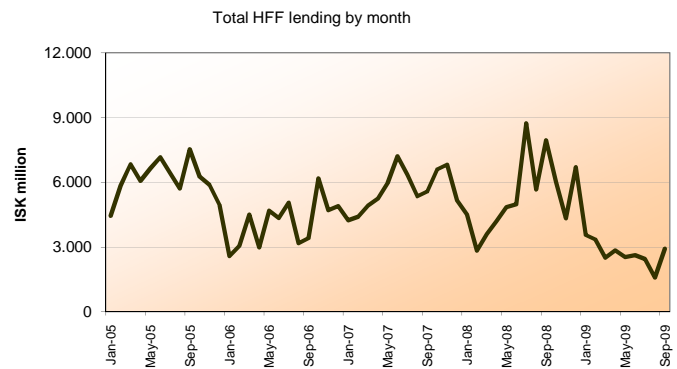
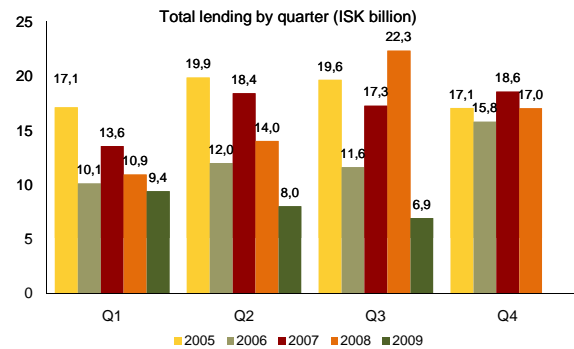
An alteration was made to the identification used in doing on-line credit rating and loan applications. Now applicants must identify themselves with an electronic ID provided to individuals by the Internal Revenue Office when applying for credit evaluation and loans from the HFF. The security of the customers is being increased by using this method.

The payments of HFF amounted to around ISK 6.6 billion in September, the majority being payments of HFF bonds. Prepayments of HFF mortgages amounted to 875 million in September, totaling prepayments in 2009 to about 6.5 billion.

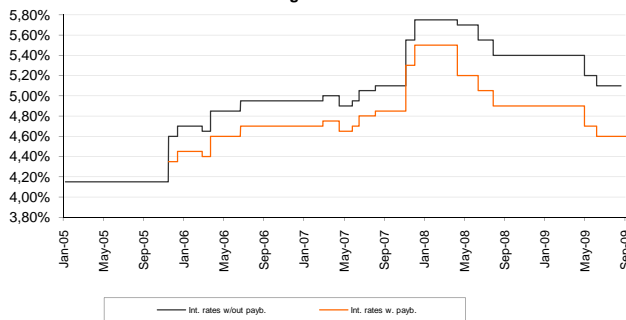


Series	Jul. 2009	Aug. 2009	Sep. 2009	Duration	Face value	Outst. F. value
HFF14	3,94%	3,80%	3,57%	2,6	70,7	38,6
HFF24	4,43%	4,23%	4,05%	6,7	150,7	119,7
HFF34	4,40%	4,24%	4,09%	10,2	154,6	139,2
HFF44	4,45%	4,24%	4,09%	13,5	237,5	223,4

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of September '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 lending rate 2005 - 2009



HFF Auctions, Lending and Payments

Actual Figures 2009

	Forecast Q3	Actual Q3	Forecast 2009	Actual Jan-Sept. 2009
MISK				
HFF bond issuance	7-9	0,0	28-32	2,8
New HFF lending	9-11	6,9	36-40	24,4
HFF payments	13-15	15,2	60-64	48,7

Revised forecast for 2009

MISK	1Q	2Q	3Q	4Q	Total 2009
HFF bond issuance	6	7	7-9	8-10	28-32
New HFF lending	9	8	9-11	10-12	36-40
HFF payments	18	15	13-15	14-16	60-64

