

## Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 3.3 billion in mortgages in February. Of that amount, almost ISK 2.3 billion were general mortgages and approximately ISK 1.1 billion were loans for rental housing. The amount issued this month was 6% less than in January. The average loan amount in February was ISK 10.7 million which is comparable to last month's amount.

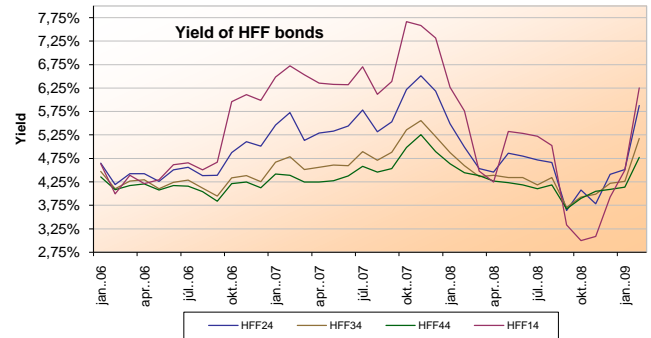
On February 5<sup>th</sup> 2009, the board of the Housing Financing Fund (HFF) agreed to begin an analysis regarding the establishment of a new HFF-bond class with a longer duration than the current bond class. Such a class would support the Fund's present cash flow. Currently, the maximum loan period of HFF's general mortgages is 40 years but may be extended up to a total of 70 years, provided certain conditions are met. The maximum loan period for rental housing loans is 50 years. The issuance of rental housing loans has been an increasing proportion of the total amount of all loans issued by the Fund. HFF will, however, continue to issue its current bond classes; i.e. HFF150914, HFF150224, HFF150434 and HFF150644. After September 15<sup>th</sup>, 2009, HFF will not be able to increase the issue of HFF150914 since inflation-indexed mortgage bonds with a shorter duration than 5 years may not be issued.

The Minister of Social Affairs and Social Security has issued two regulations regarding the operation of the Housing Financing Fund (HFF). Recent changes include: a new bond class intended for renovation and maintenance of rental housing, more flexibility in terms of granting loans to individual's with disabilities and other special needs and permission to transfer mortgages from on rental property to another, owned by the same borrower. This option may create opportunities for new projects and more employment in the construction industry. Municipalities, for example, could take advantage of these loans for the purpose of maintaining their rental housing.

Total turnover of HFF-bonds in February came to ISK 81 billion which is an increase of approximately 21% from last month. The turnover amounts to ISK 147.5 billion so far this year.

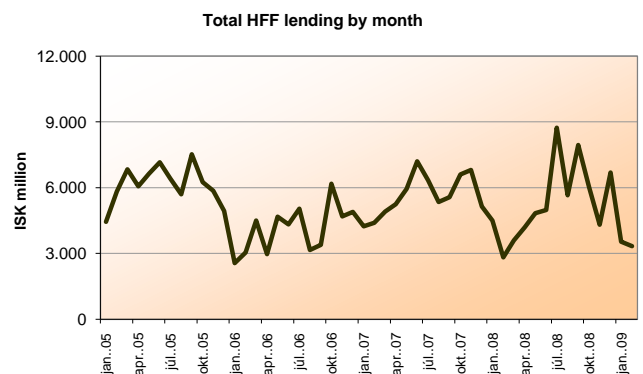
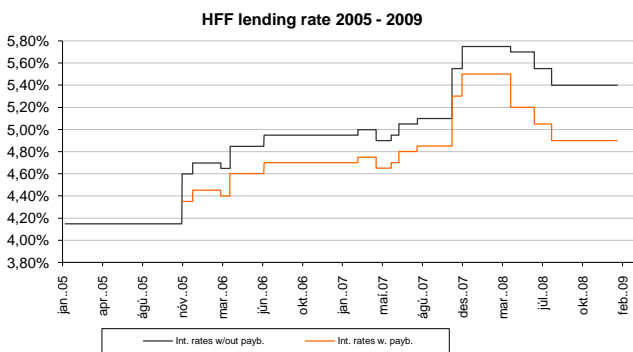
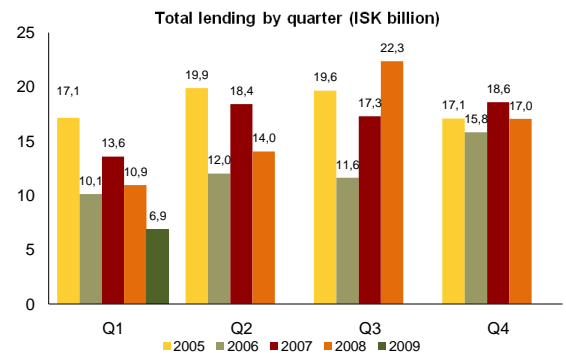
A recent national poll indicates an increase in positive attitude towards HFF. A total of 94.1% of recent home purchasers are pleased with HFF. A positive attitude towards the Fund has reached an all time high since the use of national polls began on this issue. 95% of home purchasers are of the opinion that HFF should continue to operate in an unchanged manner, compared to 81% last year.

HFF's payments came to ISK 8 billion in February with the majority of the amount representing payments on HFF bonds.



Series	Dec. 2008	Jan. 2009	Feb. 2009	Duration	Face value	Outst. F. value
HFF14	3,93%	4,50%	6,25%	2,6	82,3	53,0
HFF24	4,41%	4,52%	5,88%	6,7	150,7	125,9
HFF34	4,22%	4,26%	5,18%	10,0	148,8	135,6
HFF44	4,09%	4,13%	4,77%	13,1	225,8	213,8

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of February '09  
Of the total issuance of the face value, ISK 7.2 bn in HFF14, 7.2 bn in HFF24, 7.2 bn in HFF34 and HFF44 directly belong to the lending facilitation for HFF bond market makers



## HFF Auctions, Lending and Payments

### Actual Figures 2009

	Forecast Q1	Actual Q1	Forecast 2009	Actual Jan-Feb 2009
<b>MISK</b>				
HFF bond issuance	8-10	3,0	36-44	<b>3,0</b>
New HFF lending	11-13	6,9	49-57	<b>6,9</b>
HFF payments	16-18	10,1	59-67	<b>10,1</b>

### Forecast for 2009

	1Q	2Q	3Q	4Q	Total 2009
<b>MISK</b>					
HFF bond issuance	8-10	9-11	10-12	9-11	<b>36-44</b>
New HFF lending	11-13	12-14	13-15	13-15	<b>49-57</b>
HFF payments	16-18	14-16	15-17	14-16	<b>59-67</b>

