

Market Developments

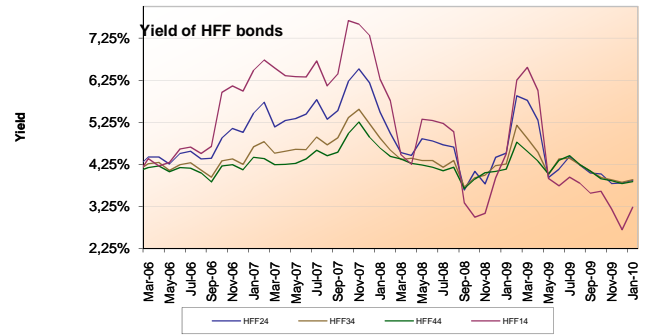
The Housing Financing Fund (HFF) issued roughly ISK 2.1 billion in mortgages in January. Of that amount, ISK 700 million were general loans and ISK 1.4 billion were loans in other categories. The total amount of issued mortgages remained the same as last month but the amount of general mortgages was 50% lower than last month.

On January 6th, Standard & Poor's (S&P) rating agency announced that HFF had been put on credit watch with a negative outlook. The announcement can be read on Nasdaq's OMX website <http://nasdaqomxnordic.com/News>.

On January 21st, HFF's board approved a lower interest rate for rental housing mortgages. The rate was lowered from 5,40% to 4,90%. The change applies to all interest calculations from January 1st, 2010.

On January 26th, the National Registry of Iceland published the consumer price index based on pricing in January, representing a 0,31% decrease in the index. This decrease came as a surprise to market analysts and resulted also in a higher yield of HFF bonds by 8-10 points, depending on the bond series. On January 27th, the Monetary Policy Committee of the Central Bank of Iceland lowered its policy rate as well as the rate on deposits by 0,5%. As a result, the yield on HFF bonds decreased by 1-6 points, depending on the series.

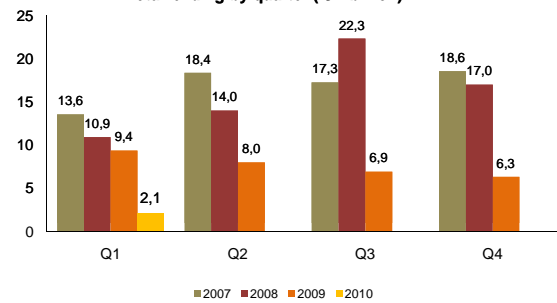
Total turnover of HFF bonds reached almost ISK 64 billion this month compared to almost ISK 64 billion in January 2009.



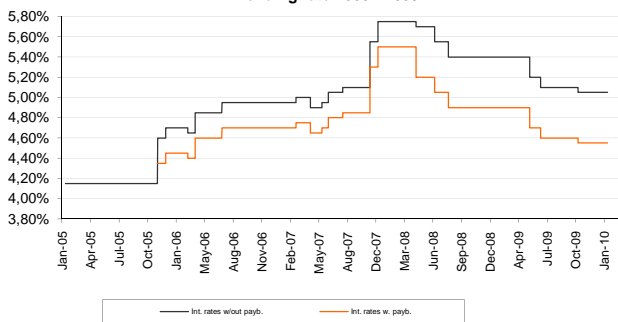
Series	Oct. 2009	Nov. 2009	Dec. 2009	Duration	Face value	Outst. F. value
HFF14	3,19%	2,70%	3,23%	2,3	70,7	38,6
HFF24	3,79%	3,81%	3,87%	6,4	152,7	121,3
HFF34	3,88%	3,82%	3,88%	10,3	158,4	140,9
HFF44	3,86%	3,79%	3,79%	13,7	240,3	224,4

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

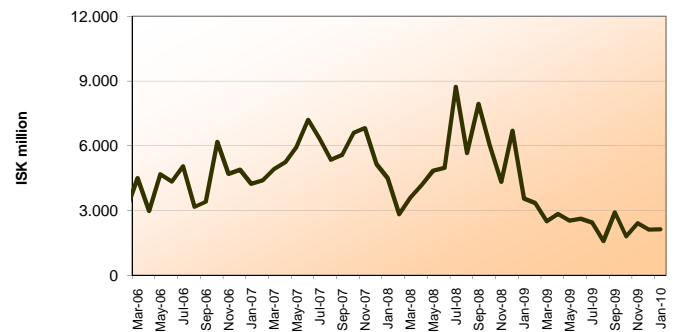
Total lending by quarter (ISK billion)



HFF lending rate 2005 - 2009



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2010

MISK	Forecast Q1	Actual Q1	Forecast 2010	Actual Jan 2010
HFF bond issuance	8 - 10	0,0	34 - 42	0,0
New HFF lending	6-8	2,1	29 - 37	2,1
HFF payments	15 - 17	2,3	61-69	2,3

Forecast 2010

MISK	1Q	2Q	3Q	4Q	Total 2010
HFF bond issuance	8-10	9-11	9-11	8-10	34-42
New HFF lending	6-8	7-9	8-10	8-10	29-37
HFF payments	15-17	16-18	14-16	16-18	61-69

HFF bonds auctions

