

Market Developments

The Housing Financing Fund (HFF) issued almost ISK 3.6 billion in mortgages in January. Of that amount approximately ISK 2.2 billion were general mortgage loans but about ISK 1.4 billion were loans for rental housing. The average general loan came to roughly ISK 10, 7 million this month, a 14% decrease from the previous month.

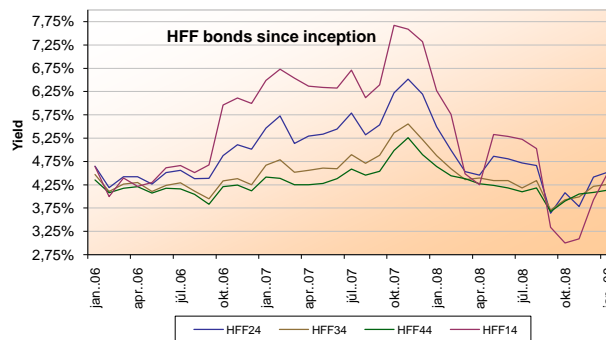
On January 14th, HFF's board decided to increase the variable interest rate on rental housing mortgages from 5, 25% to 5, 40%. The change was effective from January 1st, 2009. All general rental loans with a variable rate will carry this interest, regardless whether they have already been issued or are to be issued in the future.

On January 16th, HFF held its first HFF bond auction in 2009. The Fund received total bids of ISK 6,9 billion nominal value and decided to accept bids totaling: ISK 0.9 billion in class HFF24 with an average yield of 4,61% excluding commission, ISK 1.05 billion in class HFF34 with an average yield of 4,46% excluding commission and ISK 1.05 billion in class HFF44 with an average yield of 4,30% excluding commission. As a result of the auction, the interest rate on general mortgage loans remained unchanged.

Total turnover of HFF bond in January reached approximately ISK 66.8 billion, a roughly 18% increase from the previous month but lower by 81% from January of last year.

The Minister of Social Affairs and Social Security confirmed rules of HFF's board approved in January, concerning the purchase of mortgage bonds from financial undertakings. The rules have been published in the Law and Ministerial Gazette. HFF has received a few applications from financial undertakings for HFF to purchase their mortgage bonds. At this time, the total amount of purchased bonds is unclear. Because of the anticipated purchase of mortgage bonds, a proposition was made at the time of the 2009 budgeting regarding HFF's authorization to issue HFF bonds for up to ISK 100 billion. Since the total amount of mortgage bonds is not clear, the budget bill contained a provision. The amount of purchased bonds could certainly be lower or higher than the budget. Agreements between HFF and financial undertakings that have submitted applications are currently in the process. Information regarding the agreements will be released to market makers, once completed.

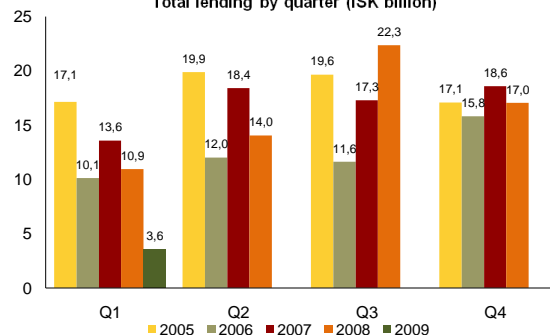
HFF's payments came to ISK 2.1 billion this month with the majority of the amount representing payments on HFF bonds.



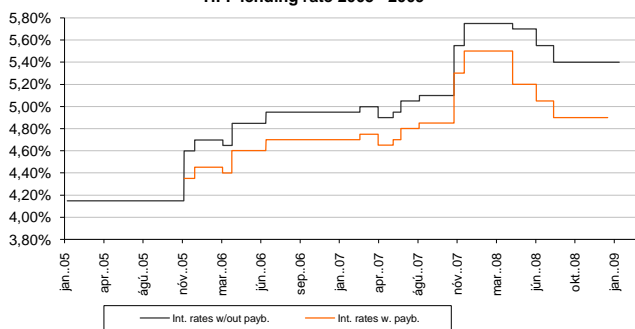
Series	Nov. 2008	Dec. 2008	Jan. 2009	Duration	Face value	Outst. F. value
HFF14	3,09%	3,93%	4,50%	2,7	82,3	53,0
HFF24	3,78%	4,41%	4,52%	6,7	150,7	125,9
HFF34	3,99%	4,22%	4,26%	10,5	148,8	135,6
HFF44	4,05%	4,09%	4,09%	13,8	225,8	213,8

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

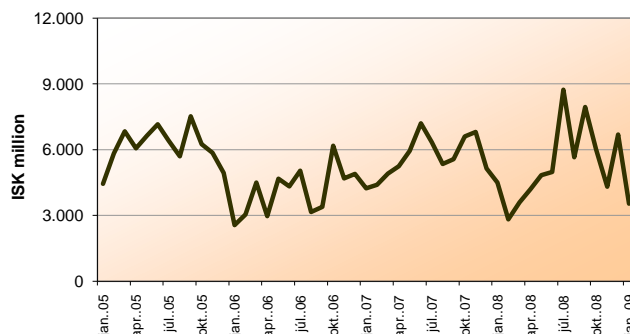
Total lending by quarter (ISK billion)



HFF lending rate 2005 - 2009



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2009

MISK	Forecast Q1	Actual Q1	Forecast 2009	Actual Jan 2009
HFF bond issuance	8-10	3,0	36-44	3,0
New HFF lending	11-13	3,6	49-57	3,6
HFF payments	16-18	2,1	59-67	2,1

Forecast for 2009

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

HFF bonds auctions

