

## Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1.8 billion in mortgages in February. Of that amount, almost ISK 1.4 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.4 billion in February of last year. The average loan amount issued for privately owned homes was ISK 10.4 million this month compared to approximately ISK 10 million in the previous month.

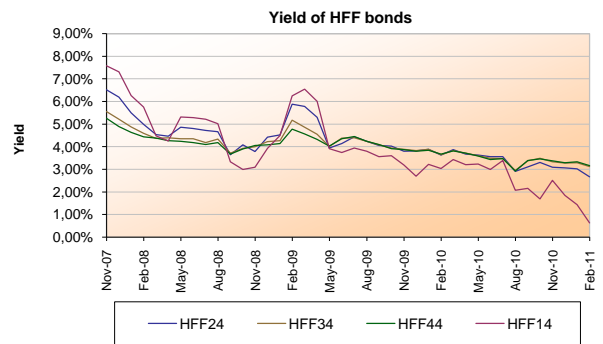
On February 28th, the Fund announced that mortgage principals needed to be written down as a result of actions taken by the government to assist over-mortgaged households. As a result the Fund's mortgage write-downs are estimated to amount to ISK 21.8 billion.

On February 28th, the Fund also released its HFF-bond issuance forecast. The Fund estimates to issue ISK 30 – 38 billion in HFF-bonds at nominal value which is equivalent to approximately ISK 40 – 50 billion at market value. New loans are forecasted to be in the range of ISK 27 - 35 billion, an increase from last year. Of that amount, ISK 8 – 10 billion is expected for rental associations. Estimated repayments to creditors this year are ISK 65 - 73 billion, mostly due to amortizations of housing bonds. The State will provide the Fund with additional equity of ISK 33 billion, expected to be in the form of Treasury bills RIKH 18 1009. If market conditions are favorable, the Fund will look into the possibility of selling the bonds which might reduce HFF-bonds issuance in 2011.

On February 24th, Statistics Iceland released the CPI based on prices in February, indicating an 1.18% increase from January. The CPI less housing cost was 1.16% higher than in January. The yields on HFF bonds fell 17 - 35 points, depending on the series. The yields on HFF14 bonds fell 80 points in February.

Total turnover of HFF bonds reached approximately ISK 53.5 billion this month, compared to about ISK 49 billion in January.

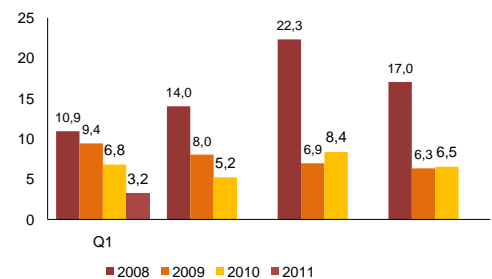
HFF's payments came to roughly ISK 9.4 billion this month, mostly due to amortizations of housing bonds.



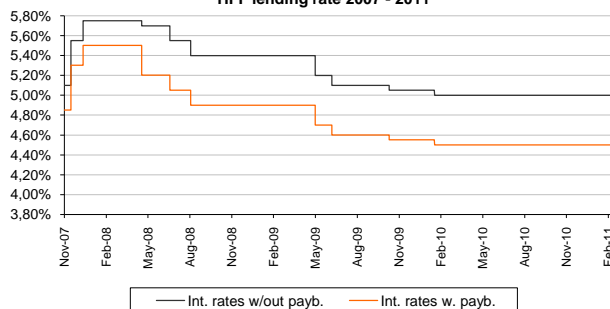
Series	Dec. 2010	Jan. 2011	Feb. 2011	Duration	Face value	Outst. F. value
HFF14	1,86%	1,44%	0,63%	1,8	70,7	31,4
HFF24	3,06%	3,02%	2,66%	6,3	164,2	119,9
HFF34	3,26%	3,28%	3,11%	10,2	170,5	147,7
HFF44	3,29%	3,33%	3,16%	13,9	263,1	242,1

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of February '11  
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.

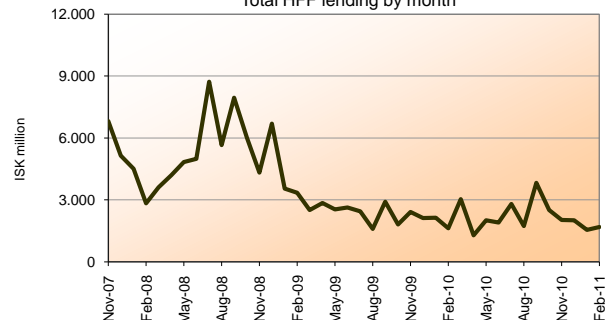
Total lending by quarter (ISK billion)



HFF lending rate 2007 - 2011



Total HFF lending by month



## HFF Auctions, Lending and Payments

### Actual Figures 2011

Billion ISK	Forecast Q4	Actual Q4	Forecast 2010	Actual Jan-Dec 2010
HFF bond issuance*	7 - 9	0,0	30 - 38	0,0
New HFF lending	6 - 8	3,2	27 - 35	3,2
HFF payments	16 - 18	11,5	65 - 73	11,5

\*Nominal value

### Forecast 2011

Billion ISK	1Q	2Q	3Q	4Q	Total 2010
HFF bond issuance*	7 - 9	8 - 10	6 - 8	9 - 11	30 - 38
New HFF lending	6 - 8	7 - 9	7 - 9	7 - 9	27 - 35
HFF payments	16 - 18	17 - 19	14 - 16	18 - 20	65 - 73

\*Nominal value

HFF bonds auctions

