

Market Developments

The Housing Financing Fund (HFF) issued almost ISK 1.3 billion in mortgages this month. Of that amount, approximately ISK 1.1 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.4 billion in January 2011. The average loan amount issued for privately owned homes this month came to around ISK 9.2 million.

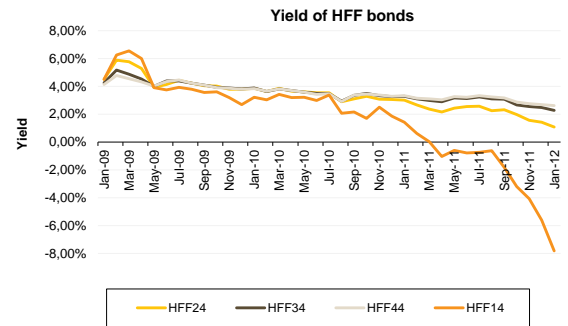
On January 16th, the Fund held an HFF-bond auction, receiving valid bids amounting to ISK 12.56 billion, equaling about ISK 20.56 at market value. The Fund accepted bids as follows: ISK 3.31 billion for HFF150444 (ISK 5.80 billion at market value), weighted average yield without commission 2.57% and 2.58% with commission. The transaction date was January 23rd 2012.

HFF's interest rate is based on the yield on HFF bond auctions in addition to the average weighted financing cost of prepaid mortgages. The interest rate premium for operations is 0.45%, 0.45% for credit risk and 0.50% for prepayment risk. The weighted interest rate at the auction and prepaid HFF-bond mortgages are presently 3.31%. As a result of the auction, the Fund's interest rate declined by 20 points and is presently 4.20% on mortgages holding a prepayment clause and 4.70% on mortgages without such a clause. The new rates took effect on January 17th.

The yield on HFF24, HFF34 and HFF44 declined this month by 8 - 35 points, depending on the series, and the yield on HFF14 dropped 221 points.

The total turnover of HFF bonds reached approximately ISK 88 billion in January, compared to roughly ISK 50 billion in December 2011. Total turnover of HFF-bonds, Housing- and Housing Authority Bonds at the Nordic Exchange this month came to approximately ISK 104 billion which is 34% of the total bond turnover at the Exchange. The market value of these bonds is approximately 37% of the total market value of listed bonds at the Exchange.

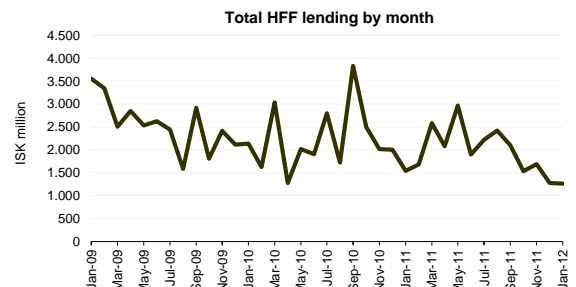
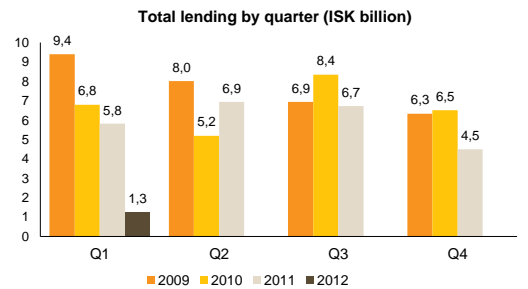
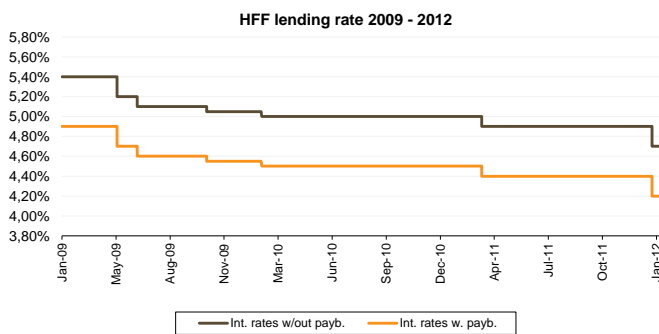
The Fund's amortization payments Housing Authority Bonds and other liabilities came to roughly ISK 2.3 billion in January. Prepaid mortgages amounted to ISK 1.4 billion.



Series	Nov. 2011	Dec. 2011	Jan. 2012	Duration	Face value	Outst. n. value
HFF14	-4,07%	-5,60%	-7,82%	1,4	70,7	24,0
HFF24	1,56%	1,44%	1,09%	5,9	164,2	116,3
HFF34	2,56%	2,49%	2,27%	10,3	176,3	148,6
HFF44	2,77%	2,70%	2,62%	14,1	274,5	248,7

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of January '12
Of the total issuance of the face value, ISK 9.6 bn in all HFF bonds directly belong to the lending facilitation for HFF bond market makers.

HFF-bond holders (end of month)	Sept. 2011	Jan. 2012
Pension Funds	62,2%	62,2%
Securities and Investment Funds	11,5%	11,7%
Foreign Investors	8,0%	10,0%
Credit Institutions	4,5%	4,4%
Other Corporations	3,5%	3,1%
Individuals	3,5%	3,0%
Banks and Savings Banks	3,7%	2,7%
Others	3,3%	2,9%



HFF Auctions, Lending and Payments

Actual Figures 2012

Billion ISK	Forecast		Actual	Forecast Q1 2012	Actual Jan 2012
	Q1	Q1			
HFF bond issuance*	6 - 7	2,3	24 - 29	3,3	
New HFF lending	5 - 7	1,3	23 - 31	1,3	
HFF total payments	17 - 19	2,3	71 - 79	2,3	

*Nominal value

Forecast 2012

Billion ISK	Forecast 2012				
	1Q	2Q	3Q	4Q	Total
HFF bond issuance (Mv)	9 - 11	11 - 13	7 - 9	9 - 11	36 - 44
HFF bond issuance (Nv)	6 - 7	7 - 9	5 - 6	6 - 7	24 - 29
New HFF lending	5 - 7	7 - 9	6 - 8	5 - 7	23 - 31
HFF total payments	17 - 19	19 - 21	16 - 18	19 - 21	71 - 79

