

## Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1.6 billion in mortgages in February. Of that amount almost ISK 1.4 billion were general mortgages and approximately ISK 250 million were mortgages in other loan categories. The average loan amount in the general mortgage category came to ISK 9 million this month, close to a 22% increase from last month's amount.

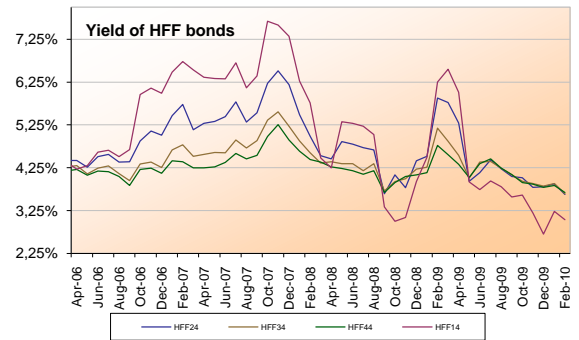
On February 22<sup>nd</sup>, HFF held its first HFF bond auction this year. The Fund received bids totaling ISK 16.112 billion at nominal value and accepted bids amounting to ISK 1.1 billion at nominal value in series HFF24 with an average yield of 3.81% excluding commission, ISK 1.55 billion in HFF34 with an average yield of 3.81% excluding commission and ISK 2.3 billion in HFF44 with an average yield of 3.80% without commission. The weighted average yield of accepted bids without commission was 3.81% and 3.82% with commission. As a result of the auction, the Fund's interest rate decreased by 0.05%, taking effect on February 23<sup>rd</sup>. Hence, the rates after the changes were 4.50% on mortgages containing a prepayment clause but 5.00% on mortgages without such a clause.

Prior to the auction, HFF's board proposed a 0.20% increase in the interest rate premium to the minister of social affairs and social security. This was approved by the minister and hence the premium for operations will be 0.30%, 0.35% for lending risk and 0.50% for prepayment risk.

Total turnover in HFF bonds reached approximately ISK 56 billion in February, compared to almost ISK 81 billion in February 2009. The yield on HFF bonds decreased somewhat this month, or by 17-24 points depending on the bond series.

On February 1<sup>st</sup>, 2010, HFF sent an announcement to the OMX Nordic Exchange, stating that Standard & Poor's had on January 29<sup>th</sup> decided to keep HFF on a credit watch with a negative outlook. This corresponds to the credit rating of Iceland's sovereign rating.

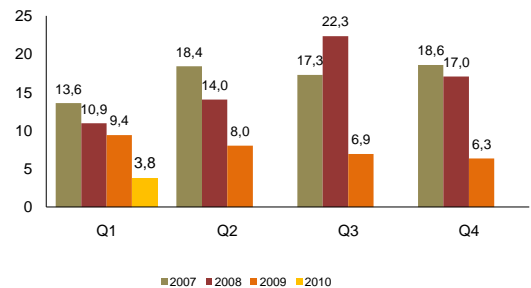
HFF's repayments to creditors came to almost ISK 8.7 billion this month where repayments on HFF bonds represented the majority. Prepayments on mortgages in February amounted to roughly ISK 900 million.



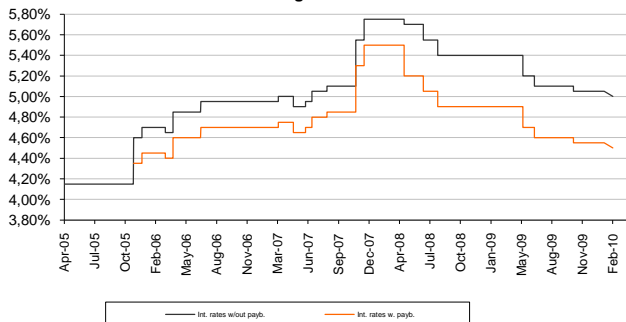
Series	Oct. 2009	Nov. 2009	Dec. 2009	Duration	Face value	Outst. F.value
HFF14	2,70%	3,23%	3,04%	2,2	70,7	38,6
HFF24	3,81%	3,87%	3,63%	6,6	153,8	118,9
HFF34	3,82%	3,88%	3,64%	10,4	159,9	142,2
HFF44	3,79%	3,84%	3,67%	13,8	242,6	226,5

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of February '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 9.6 bn in HFF44 directly belong to the lending facilitation for HFF bond market makers.

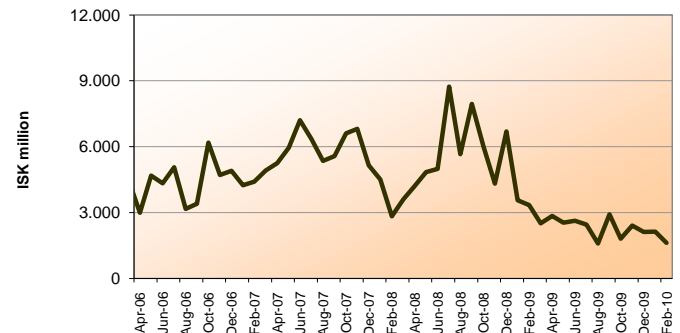
Total lending by quarter (ISK billion)



HFF lending rate 2005 - 2010



Total HFF lending by month



## HFF Auctions, Lending and Payments

Actual Figures 2010

MISK	Forecast	Actual	Forecast	Actual
	Q1	Q1	2010	Jan 2010
HFF bond issuance	8 - 10	5,0	34 - 42	<b>5,0</b>
New HFF lending	6-8	3,8	29 - 37	<b>3,8</b>
HFF payments	15 -17	11,0	61 - 69	<b>11,0</b>

Forecast 2010

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

HFF bonds auctions

