

Market Developments

The Housing Financing Fund (HFF) issued close to ISK 2, 1 billion in mortgages this month. Of that amount, almost ISK 1, 5 billion were general mortgages and about ISK 600 million were mortgages in other categories. The total amount issued is 14% less than in November. The average general mortgage amount was ISK 8, 8 million, approximately 2% lower than last month's amount. The total amount issued in mortgages came to approximately ISK 30 billion in 2009, compared to ISK 64 billion in 2008, a decrease of 48%.

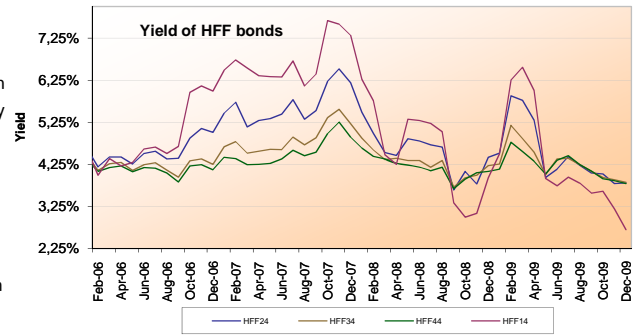
On December 21st, HFF's forecast for 2010 was published, forecasting that financing through bond auctions would range from ISK 34 to 42 billion at nominal value. Issued mortgages are expected to range from ISK 29 to 37 billion which is somewhat lower than the 2009 forecast. It is expected that mortgages issued to housing rental associations will range from ISK 11 to 13 billion. Repayments to the Fund's creditors are estimated to be ISK 61– 69 billion, which are mostly repayments on housing bonds.

On December 18th, it was announced that the Fund would delay the issuance of a new HFF bond series which has been under consideration since January 2009.

During the fourth quarter, HFF received 835 applications for the different options available to clients experiencing financial difficulties. This is an increase of 27% from the third quarter. In 2009, a total of 3.320 applications were received regarding this matter, 42% more than in 2008. Available options are payment agreements, maturity date extensions, payment suspension as well as payment detainment which is a method made available at the Fund following a recent law passed at Althing. By the end of 2009 about 41 thousand mortgages had been restructured through payment detainment, corresponding to about 50% of the Fund's total loan portfolio.

Total turnover of HFF bonds in December came to almost ISK 65 billion, approximately 19% higher than in November. In 2009, the amount was ISK 928 billion compared to ISK 2.379 billion in 2008. During 2009, the yield on HFF bonds declined by 29 - 123 points depending on series.

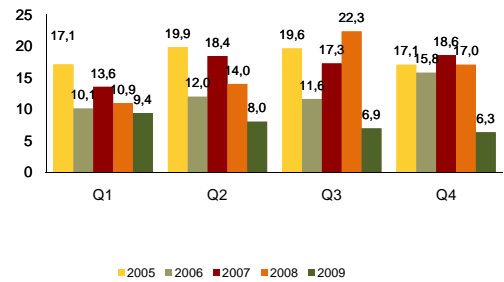
HFF's repayments to creditors came to ISK 9.4 billion in December where repayments on HFF bonds represented the majority. Prepayments on mortgages in December came to ISK 1.1 billion, making the total amount of prepayments ISK 9.4 billion in 2009.



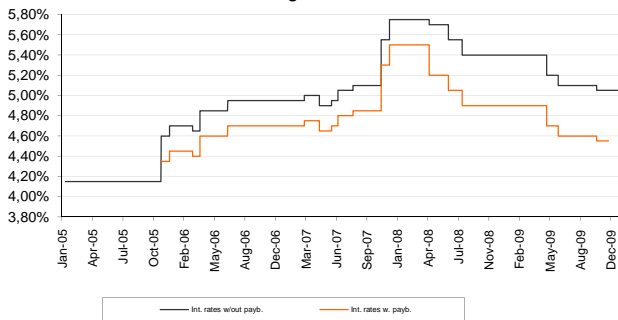
Series	Oct. 2009	Nov. 2009	Dec. 2009	Duration	Face value	Outst. F. value
HFF14	3,61%	3,19%	2,70%	2,4	70,7	38,6
HFF24	4,02%	3,79%	3,81%	6,5	152,7	121,3
HFF34	3,94%	3,88%	3,82%	10,4	158,4	140,9
HFF44	3,91%	3,86%	3,79%	13,9	240,3	224,4

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of December '09
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.

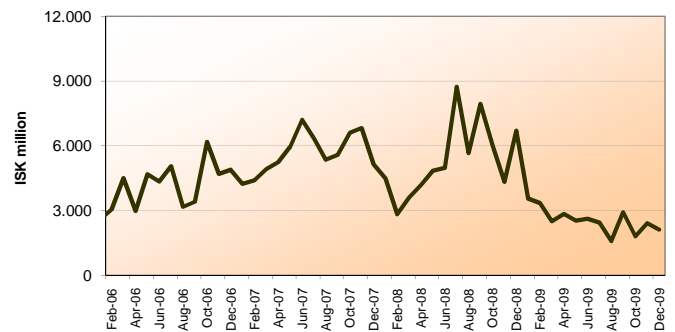
Total lending by quarter (ISK billion)



HFF lending rate 2005 - 2009



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2009

	Forecast Q4	Actual Q4	Forecast 2009	Actual Jan-Dec. 2009
MISK				
HFF bond issuance	6 - 8	3,7	19 - 21	16,5
New HFF lending	7-9	6,3	31 - 33	30,7
HFF payments	15 -17	17,0	61-69	65,8

Forecast 2010

	1Q	2Q	3Q	4Q	Total 2010
MISK					
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

