

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2.5 billion in mortgages in March. Of that amount, approximately ISK 1.9 billion were general mortgages and slightly more than ISK 600 million were mortgages for rental housing. The total amount issued this month decreased by 33% from the previous month. The Fund issued about ISK 9.4 billion in the first quarter which is a reduction of 14.1% from the first quarter of last year. The average loan amount this month came to ISK 10.6 million which is similar to last month's.

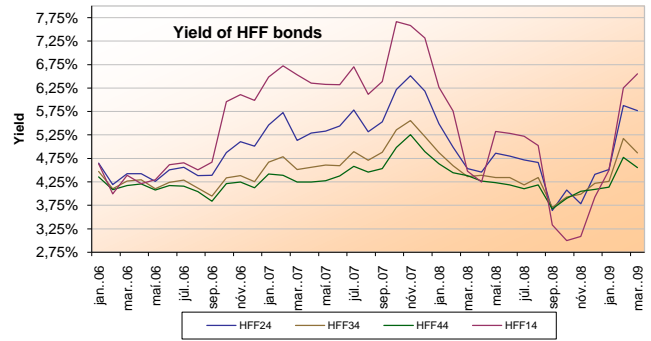
On March 6th, HFF held its second HFF bond auction this year. The Fund received bids totaling ISK 5.62 billion at nominal value and accepted bids for ISK 835 million for HFF34 with an average yield of 5.09% without commission and ISK 2.035 billion for HFF44 with an average yield of 4.79% without commission. As a result, the Fund's interest rate remained unchanged.

On March 20th, HFF released its 2008 Financial Statement, stating among other things, a revenue loss of ISK 6.9 billion in 2008. The Fund's liquidity position at year's end came to ISK 13.3 billion. As announced in November, the Fund was severely affected by the collapse of Iceland's three largest banks.

Total turnover this month reached approximately ISK 76.8 billion, a 5% decrease from last month. The turnover this year amounts to ISK 224.3 billion so far.

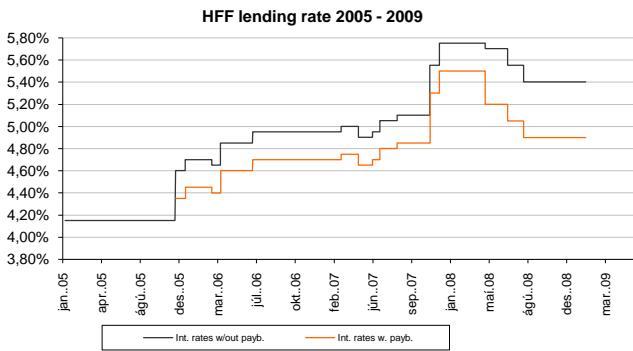
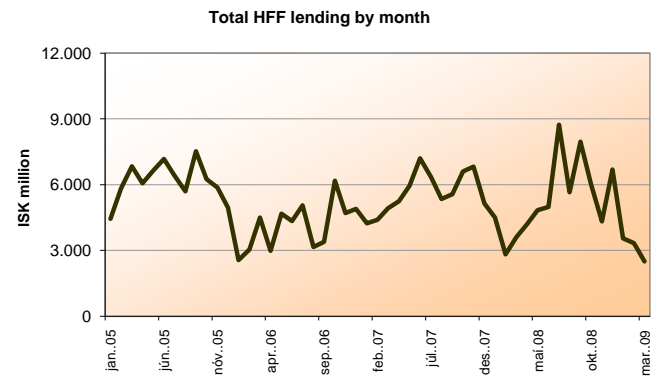
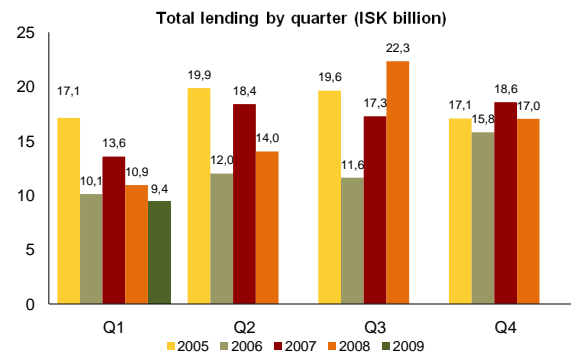
On March 23rd, HFF and Keflavik Savings bank (SpKef) signed an agreement regarding HFF's purchase of SpKef's mortgage pool valued at approximately ISK 10 billion, pursuant to Law no.125/2008, Regulation no.1081/2008 and HFF's Rules on the purchase of mortgages from financial institutions. HFF paid 80% of the mortgage pool's market price by handing over HFF bonds in series HFF150434 and HFF150644. The remaining 20% will be settled with SpKef in 8 years. Until the year 2010, SpKef is not authorized to lend or sell the HFF bonds in a secondary market and is exclusively authorized to use the bonds as collateral in transactions with the Central Bank of Iceland (CBI). In case SpKef chooses to sell the HFF bonds, it is obligated to spread the sale over a 3 year period in such a way that the maximum value sold each year, beginning in 2010, is equal to 1/3 of the nominal value of the bonds. In 2009, HFF is also entitled to exchange the above stated HFF bonds for HFF bonds from a new bond series to be issued this year, so that the bond's book value, at the time of exchange, is equal to the bond's market value on the exchange date.

HFF's payments amounted to ISK 7.4 billion this month with the majority of the amount representing payments of HFF housing bonds.



Series	Jan. 2009	Feb. 2009	March 2009	Duration	Face value	Outst. F.value
HFF14	4,50%	6,25%	6,55%	2,8	82,3	49,0
HFF24	4,52%	5,88%	5,77%	6,6	150,7	122,8
HFF34	4,26%	5,18%	4,87%	10,0	149,7	136,4
HFF44	4,13%	4,77%	4,56%	13,2	230,4	218,1

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



HFF Auctions, Lending and Payments

Actual Figures 2009

	Forecast Q1	Actual Q1	Forecast 2009	Actual Jan-March
MISK				
HFF bond issuance	8-10	5,9	36-44	5,9
New HFF lending	11-13	9,4	49-57	9,4
HFF payments	16-18	18,1	59-67	18,1

Forecast for 2009

	1Q	2Q	3Q	4Q	Total 2009
MISK					
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

