

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 3 billion in mortgages in March. Of that amount almost ISK 1.8 billion were general mortgages. The total amount issued in the first quarter of 2010 comes to ISK 6.8 billion compared to ISK 9.4 billion for the same period in 2009. The average general loan amount was ISK 9.2 million this month which is the same amount as last month.

On March 15th, HFF held its second auction in 2010. The Fund received bids totaling ISK 8.5 billion at nominal value and accepted ISK 1.457 billion in series HFF24 with an average yield of 3.79% without commission, ISK 1.350 billion in series HFF34 with an average yield of 3.76% without commission and ISK 3.054 billion in series HFF44 with an average yield of 3.76% without commission. The weighted average yield of accepted bids without commission was 3.77% and 3.78% with commission. Consequently, the Fund's interest rates did not change and remain at 4.50% on mortgages that include a prepayment clause but 5.00% on mortgages excluding such a clause.

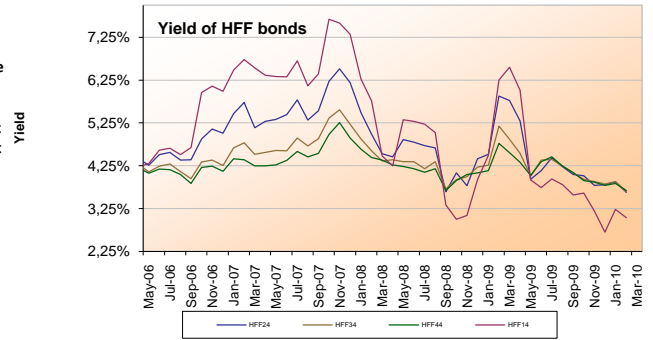
On March 9th, HFF issued a revised forecast for 2010, estimating to increase its issuance of HFF bonds this year by ISK 8 billion from the previous forecast. The increase is associated with the Fund's expected purchase of mortgage portfolios owned by Drömi hf. and Frjálsi Fjárfestingarbankinn hf. The revised forecast projects an ISK 4 million decrease in new mortgages and an ISK 4 million increase in liabilities this year.

On March 16th Standard & Poor's rating agency published a new report on HFF which can be found on the Fund's website, www.hff.is.

On March 30th, Standard & Poor's also announced that HFF's credit rating would remain on CreditWatch Negative after the local currency sovereign credit ratings on the Republic of Iceland were lowered. Further information can be found on HFF's website.

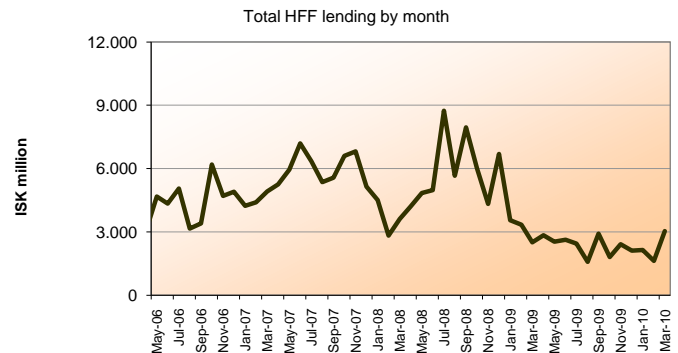
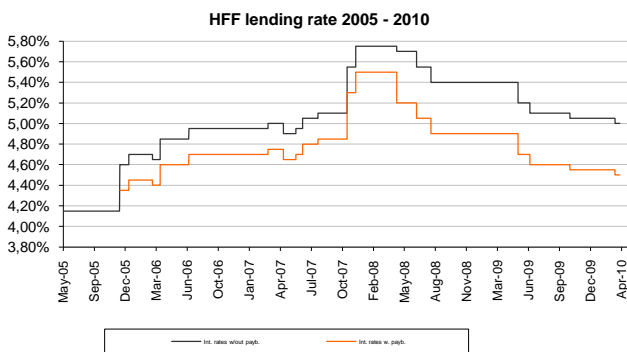
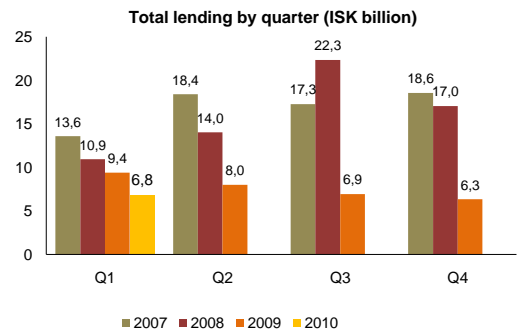
Total turnover of HFF bonds in March came to almost ISK 58.5 billion compared ISK 56 billion in February. The bond yield increase somewhat this month, or by 14 – 40 points depending on the bond series.

HFF's repayments to creditors came to almost ISK 6.9 billion this month where repayments on HFF bonds represented the majority. Mortgage prepayments in March amounted to approximately ISK 1.5 billion.



Series	Jan. 2010	Feb. 2010	Mar. 2010	Duration	Face value	Outst. F.value
HFF14	3,23%	3,04%	3,44%	2,4	70,7	35,1
HFF24	3,87%	3,63%	3,86%	6,5	155,2	120,1
HFF34	3,88%	3,64%	3,83%	10,2	161,3	143,4
HFF44	3,84%	3,67%	3,81%	13,6	245,6	229,4

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



HFF Auctions, Lending and Payments

Actual Figures 2010

MISK	Forecast	Actual	Forecast	Actual
	Q1	Q1	2010	Jan-Mar 2010
HFF bond issuance	9 - 11	10,8	42 - 50	10,8
New HFF lending	5 - 7	6,8	25 - 33	6,8
HFF payments	15 - 17	17,8	65 - 73	17,8

Revised Forecast 2010

MISK	1Q	2Q	3Q	4Q	Total 2010
	HFF bond issuance	9 - 11	12 - 14	10 - 12	11 - 13
New HFF lending	5 - 7	6 - 8	7 - 9	7 - 9	25 - 33
HFF payments	15-17	20 - 22	14 - 16	16-18	65 - 73

