

## Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1.4 billion in mortgages this month. Of that amount, approximately ISK 960 million was for privately owned homes. In comparison, this amount was approximately ISK 2.3 billion in March of 2011. The average loan amount issued for privately owned homes came to around ISK 9.2 million.

On March 5<sup>th</sup>, Katrin Olafsdottir, chairman of HFF's Board of Directors, was appointed by the Minister of Economic Affairs to Iceland's Central Bank Monetary Policy Committee. As a result, she has resigned her current position at HFF. The Minister of Welfare has not yet appointed another chairman but in the meantime, Sjöfn Ingólfssdóttir, vice-chairman will take Ms. Olafsdóttir's place.

Due to market conditions, following legislation No. 17/2012 passed on March 13<sup>th</sup> 2012, amending foreign currency restrictions, HFF permitted its primary dealers to temporarily increase the bid-ask spread during the first hour after opening of markets. The spread was 100 points in all of the HFF bond series.

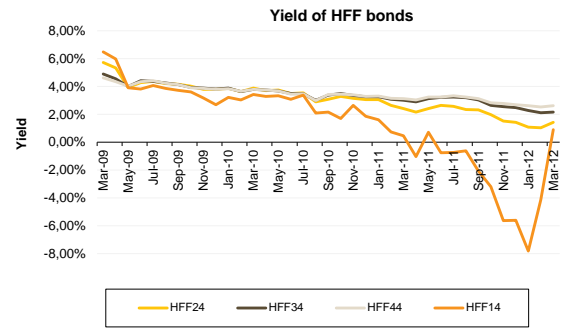
The revised forecast on HFF bond issuance for financing new mortgages and repayments for the remainder of 2012 is ISK 16 - 20 billion at nominal value and ISK 24 - 30 billion at market value. HFF estimates to issue ISK 15 - 21 billion in mortgages in the second half of 2012. Of that amount, it is estimated that mortgages to legal entities will amount to ISK 4 - 5 billion. There is considerable uncertainty regarding forecasts on lending and bond issuance due to circumstances in the financial and real estate markets. Exact figures can, therefore, not be forecasted. As a result, some auction figures may be transferred between quarters depending on market conditions. HFF expects repayments on HFF bonds to creditors to range between ISK 54 - 60 billion in remainder of 2012.

The 2011 annual financial statements of the Housing Financing Fund (HFF) were approved on March 28<sup>th</sup> by the Fund's Board of Directors. The 2011 operating results were positive to the tune of ISK 986 million, compared to ISK 34.5 billion in losses the year before. HFF's equity at the year-end was ISK 9.55 billion, compared to over 8.56 billion at year-end 2010. The Fund's equity ratio, calculated according to the provisions of Regulation No 544/2004 on HFF is, at present, 2.3%, and was 2.2% at the beginning of the year. The ratio is calculated in the same manner as the equity ratio of other financial undertakings. The Fund's long-term goal is to keep the ratio above 5.0%, and discussions with the authorities are aimed at fulfilling the provisions of the Regulation.

The yield on all HFF-bond series increased by 10 - 38 points this month, depending on the series, and HFF14 rose approximately 504 points.

The total turnover of HFF bonds reached approximately ISK 95 billion this month, compared to roughly ISK 86 billion in February 2012.

The Fund's amortization payments on HFF-bonds and other liabilities came to roughly ISK 7.5 billion million in March. Prepaid mortgages amounted to ISK 1.7 billion.

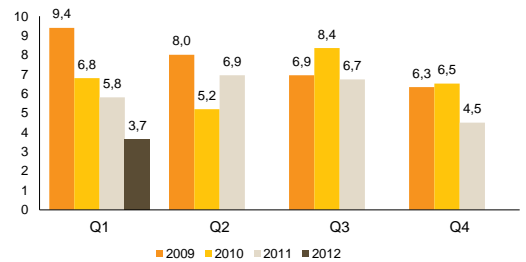


Series	Jan. 2012	Feb. 2012	Mar. 2012	Duration	Face value	Outst. n. value
HFF14	-7,82%	-4,14%	0,90%	1,5	70,7	20,2
HFF24	1,09%	1,04%	1,42%	6,0	164,2	112,6
HFF34	2,27%	2,11%	2,17%	10,1	176,3	148,6
HFF44	2,62%	2,54%	2,63%	13,9	274,5	248,7

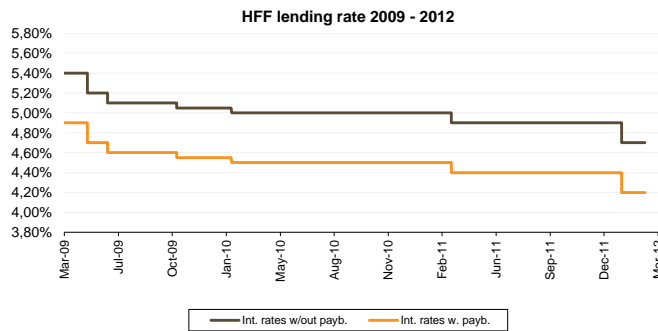
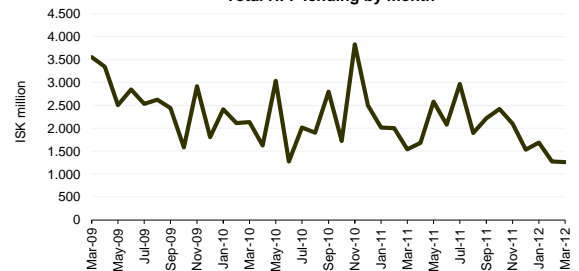
\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of March '12  
Of the total issuance of the face value, ISK 9.6 bn in all HFF bonds directly belong to the lending facilitation for HFF bond market makers.

HFF-bond holders (end of month)	Sept. 2011	March 2012
Pension Funds	62,2%	61,7%
Securities and Investment Funds	11,5%	13,3%
Foreign Investors	8,0%	8,7%
Credit Institutions	4,5%	4,8%
Other Corporations	3,5%	3,6%
Individuals	3,5%	2,8%
Banks and Savings Banks	3,7%	2,2%
Others	3,3%	2,9%

Total lending by quarter (ISK billion)



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2012				
Billion ISK	Forecast Q1**	Actual Q1	Revised forecast 2012	Actual January March 2012
HFF bond issuance*	6 - 7	3,3	24 - 30	3,3
New HFF lending	5 - 7	3,7	15 - 21	3,7
HFF total payments	17 - 19	19,6	54 - 60	19,6

\*Nominal value  
\*\*According to former forecast

Revised forecast 2012				
Billion ISK	2Q	3Q	4Q	Total
HFF bond issuance (Mv)	9 - 11	6 - 8	9 - 11	24 - 30
HFF bond issuance (Nv)	6 - 7	4 - 6	6 - 7	16 - 20
New HFF lending	4 - 6	6 - 8	5 - 7	15 - 21
HFF total payments	19 - 21	16 - 18	19 - 21	54 - 60

