

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 2.8 billion in mortgages in April. Of that amount approximately ISK 1.9 billion were general mortgages and about ISK 900 million for rental housing. This is an increase of almost 14% from the previous month. The total amount in mortgages issued over the first four months of the year is slightly more than ISK 12.2 billion which is a 19% decrease from last year. The average general loan amount came to ISK 10.6 million this month which is comparable to last month's amount.

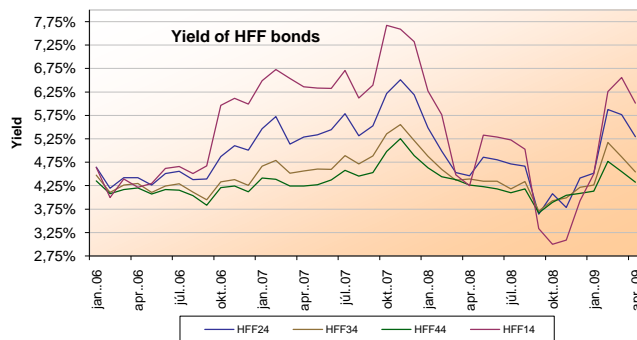
On April 3rd, the Ministry of Social Affairs and Social Security, the Ministry of Commerce, the Housing Financing Fund on one hand and the Resolution Committee of SPRON bank, the Icelandic Pension Funds Association and the Icelandic Financial Services Association on the other, made an agreement regarding options available for people in financial difficulties. The agreement involves a coordinated approach to assist people in financial difficulties with mortgage payments.

On April 20th, HFF issued a revised forecast on its issuance and auctions of HFF bonds as well as its payment obligations in 2009. The Fund forecasts to issue HFF bonds at a nominal value of ISK 33-38 billion, a decrease of ISK 3-6 billion from the previous forecast. The Fund estimates that new mortgages will be issued for ISK 41-47 billion this year, a decrease of ISK 8 -10 billion from the previous forecast. Due to changed conditions in the financial- and real estate markets, there is considerable uncertainty in terms of issuance of mortgages and HFF bonds. Therefore, exact forecasts cannot be made. HFF plans to pay its creditors ISK 59 – 65 billion this year, a decrease of approximately ISK 2 billion from the previous forecast.

Total turnover of HFF bonds reached approximately ISK 43.9 billion in April, a decrease of 43% from March. Total turnover in 2009 amounts to ISK 286.3 billion, so far.

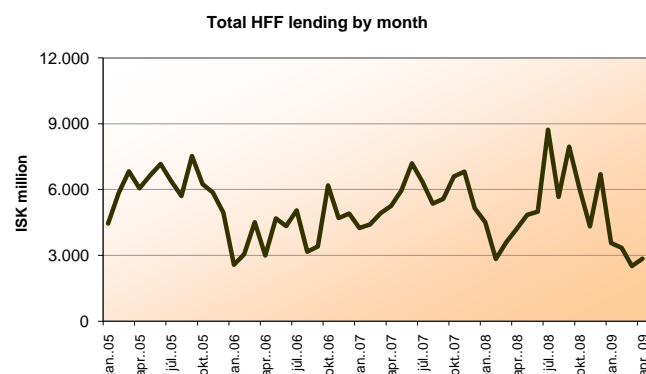
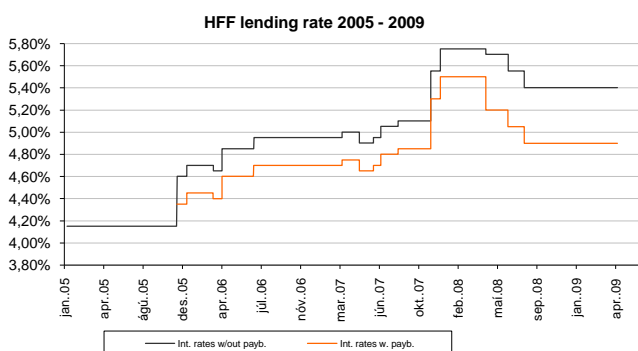
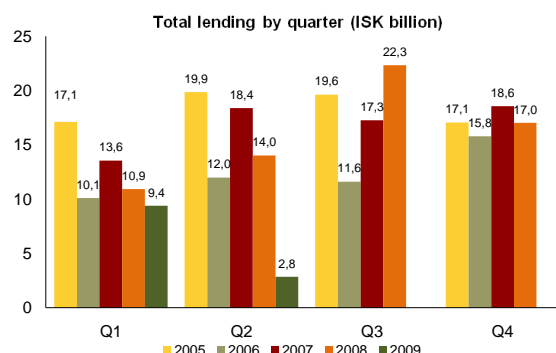
Applications related to financial difficulties have increased significantly. During the first quarter of this year, HFF received 942 applications. In comparison, the total number of these applications received was 1405 in 2008 and 377 in 2007. Options for people in financial difficulties are payment agreements, refinancing of defaulted payments, payment suspension, payment detainment and extension of loan maturity. Since HFF made payment detainment available as an option, 261 such applications have been approved.

HFF's payments came to ISK 6.4 billion this month with the majority of the amount representing payments of HFF Housing Bonds.



| Series | Feb. 2009 | Mar. 2009 | Apr. 2009 | Duration | Face value | Outst. F.value |
|--------|-----------|-----------|-----------|----------|------------|----------------|
| HFF14 | 6,25% | 6,55% | 6,01% | 2,7 | 82,3 | 49,0 |
| HFF24 | 5,88% | 5,77% | 5,30% | 6,6 | 150,7 | 122,8 |
| HFF34 | 5,18% | 4,87% | 4,54% | 10,4 | 149,7 | 134,8 |
| HFF44 | 4,77% | 4,56% | 4,33% | 13,3 | 230,4 | 218,1 |

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

| MISK | Forecast Q2 | Actual Q2 | Forecast 2009 | Actual Jan-April 2009 |
|-------------------|-------------|-----------|---------------|-----------------------|
| HFF bond issuance | 8-10 | 0,0 | 33-38 | 5,9 |
| New HFF lending | 10-12 | 2,8 | 41-47 | 12,2 |
| HFF payments | 14-16 | 6,4 | 59-65 | 24,5 |

Revised forecast for 2009

| MISK | 1Q | 2Q | 3Q | 4Q | Total 2009 |
|-------------------|----|-------|-------|-------|------------|
| HFF bond issuance | 6 | 8-10 | 10-12 | 9-10 | 33-38 |
| New HFF lending | 9 | 10-12 | 12-14 | 10-12 | 41-47 |
| HFF payments | 18 | 14-16 | 13-15 | 14-16 | 59-65 |

