

Market Developments

The Housing Financing Fund (HFF) issued almost ISK 2.6 billion in mortgages in March. Of that amount, about ISK 2.3 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.8 billion in March of last year. The average loan amount issued for privately owned homes amounted to around ISK 10 million this month compared to approximately ISK 10.4 million in February.

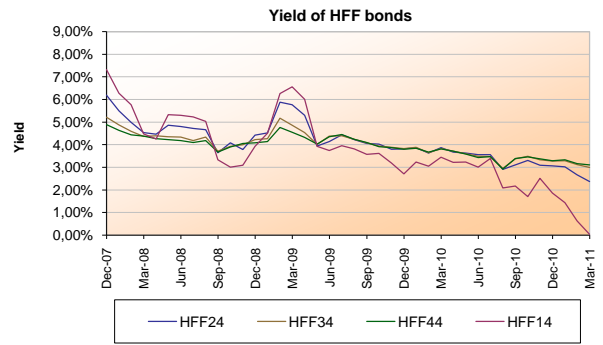
On March 10th, the Fund held its first HFF bond auction in 2011. The Fund received bids totaling ISK 7.396 billion at nominal value and accepted bids amounting to ISK 2.707 billion at nominal value in series HFF34 with an average yield of 3.16% excluding commission, ISK 2.776 billion in HFF44 with an average yield of 3.24% excluding commission. The weighted average yield of accepted bids without commission was 3.20% and 3.22% with commission. As a result of the auction, the Fund's interest rate was lowered to 4.40% on loans including a prepayment clause and 4.90% on loans without such a clause, taking effect on March 11th.

On March 16th, ESA approved an ISK 33 billion equity contribution from the State of Iceland, on the condition that HFF has prepared a precise plan before the end of September 2011 on how to restructure its operation into a social and competitive form.

On March 31st, HFF released its Financial Statements for 2010 reflecting a net loss of ISK 34.5 billion according to the income statement, mostly due to depreciation of the Fund's loan portfolio. Equity at year-end was ISK 8.6 billion according to the balance sheet. The Fund's equity ratio, calculated in accordance to provisions of Regulation No. 544/2004 on the Housing Financing Fund, was 2.2%. The ratio is calculated in the same manner as the equity ratio of other financial undertakings. 6.5% of all borrowers had one or more past-due monthly payments compared to 5.3% in the previous year. In 2010, the Fund foreclosed 1,069 properties, an increase of 722 properties from 2009. Approximately one third is presently being rented out.

Total turnover of HFF bonds reached approximately ISK 64.3 billion this month, compared to about ISK 53.5 billion in February.

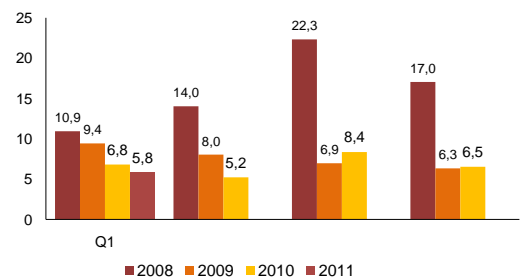
HFF's payments came to roughly ISK 7 billion this month, mostly due to amortizations of housing bonds which were ISK 6.6 billion. Prepayment of mortgages amounted to about ISK 976 million.



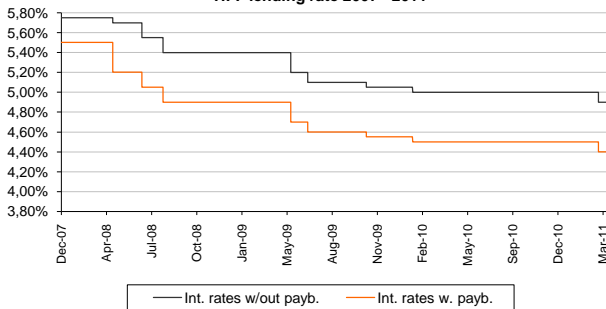
| Series | Jan. 2010 | Feb. 2011 | Mar. 2011 | Duration | Face value | Outst. F. value |
|--------|-----------|-----------|-----------|----------|------------|-----------------|
| HFF14 | 1,44% | 0,63% | 0,03% | 2,0 | 70,7 | 27,8 |
| HFF24 | 3,02% | 2,66% | 2,37% | 6,3 | 164,2 | 119,9 |
| HFF34 | 3,28% | 3,11% | 2,99% | 10,2 | 173,2 | 150,1 |
| HFF44 | 3,33% | 3,16% | 3,11% | 13,9 | 265,9 | 244,6 |

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of March '11
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.

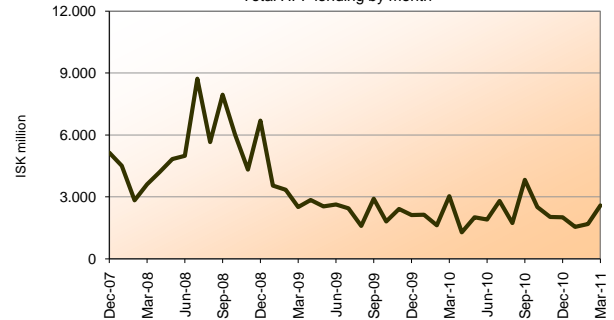
Total lending by quarter (ISK billion)



HFF lending rate 2007 - 2011



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2011

| Billion ISK | Forecast Q4 | Actual Q4 | Forecast 2010 | Actual Jan-Dec 2010 |
|--------------------|-------------|-----------|---------------|---------------------|
| HFF bond issuance* | 7 - 9 | 5,5 | 30 - 38 | 5,5 |
| New HFF lending | 6 - 8 | 5,8 | 27 - 35 | 5,8 |
| HFF total payments | 16 - 18 | 18,6 | 65 - 73 | 18,6 |

*Nominal value

Forecast 2011

| Billion ISK | 1Q | 2Q | 3Q | 4Q | Total 2010 |
|--------------------|---------|---------|---------|---------|------------|
| HFF bond issuance* | 7 - 9 | 8 - 10 | 6 - 8 | 9 - 11 | 30 - 38 |
| New HFF lending | 6 - 8 | 7 - 9 | 7 - 9 | 7 - 9 | 27 - 35 |
| HFF total payments | 16 - 18 | 17 - 19 | 14 - 16 | 18 - 20 | 65 - 73 |

*Nominal value

HFF bonds auctions

