

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 1.2 billion in mortgages in April of which ISK 0.8 billion were issued for private homes. The total amount of issued mortgages in the first four months this year amounts to ISK 8 billion compared to approximately ISK 12 billion during the same period last year. The average amount of mortgages for private homes came to ISK 8.4 billion in April compared to ISK 9.2 million in March.

On April 27th, the Fund held its third HFF bond auction this year. Accepted bids amounted to ISK 10.3 billion at nominal value, as follows: ISK 1.81 billion in series HFF24 with the average yield of 3.77% without commission, ISK 2.17 billion in series HFF34 with the average yield of 3.79% without commission, ISK 3.16 billion in series HFF44 with the average yield of 3.77% without commission. The weighted total yield of accepted bids without commission came to 3.78% and 3.79% with commission. As a result of the auction, the Fund's interest rates remained unchanged, i.e. 4.50% on mortgages that include a prepayment clause and 5.00% on mortgages without such a clause.

Moody's rating agency changed HFF's outlook to negative from stable on April 6th. This came as result of a change in rating for the Republic of Iceland from stable to negative as well. Moody's rating for HFF is currently Baa3.

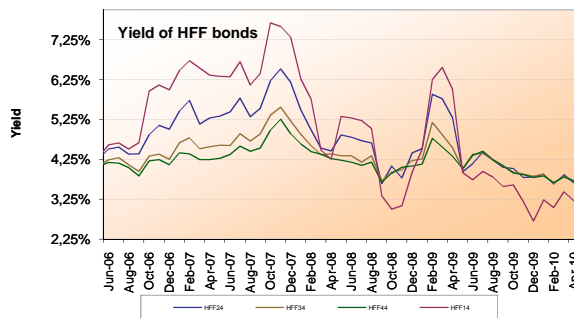
On April 7th, Moody's published an upgraded view on HFF's rating which can be found on the Fund's website www.hff.is.

Moody's changed HFF's rating outlook to stable from negative on April 23rd, reflecting the change in rating outlook for the Republic of Iceland to stable from negative as well.

On April 15th, the Fund published its Financial Statements for 2009, showing a net loss of ISK 3.202 million according to the income statement, and equity at year's end of ISK 10.083 according to the balance sheet. The CAD ratio was at 3.0% and is calculated according to stipulations in regulation nr. 544/2004 on the Housing Financing Fund. The method used to calculate the CAD ratio is the same as used by other financial institutions. The long term goal of the Fund is to maintain a CAD ratio of above 5.0%. In accordance with article 7 of the above mentioned regulation, the Fund notified the Minister of Social Affairs and Social Security that the ratio was heading below 4.0%. The Board of HFF is presently making new plans on how to reach the Fund's long term goal of the debt-to equity ratio and has already raised the interest premium on new mortgages. The Fund's assets at year's end came to approximately ISK 794.7 billion. Of that amount mortgages are ISK 756.634 billion, an increase of approximately ISK 76.228 billion from last year. The Fund borrowed ISK 784.570 billion, an increase of ISK 71.901 billion from last year.

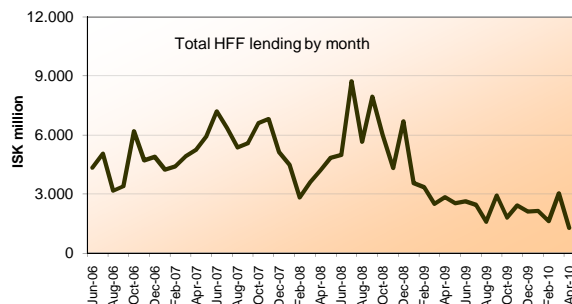
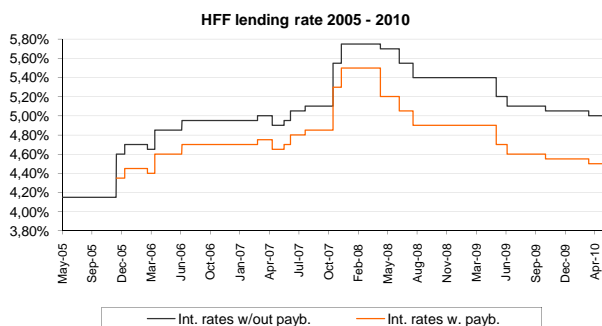
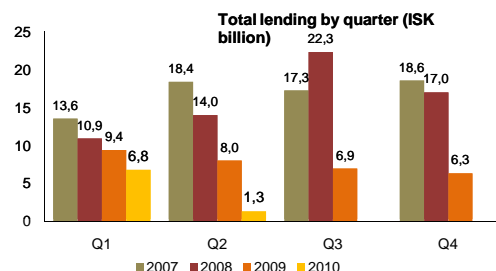
Total turnover of HFF bonds reached around ISK 48.5 billion in April, compared to approximately ISK 58.5 billion in March. The yield on HFF bonds decreased somewhat this month, or about 10 -23 points depending on the bond series.

The Fund's payments came to ISK 12 billion in April with repayments on HFF bonds and an additional bond drawing, representing the majority of the amount. Prepayments on



Series	Feb. 2010	Mar. 2010	Mar. 2010	Duration	Face value	Outst. F. value
HFF14	3,04%	3,44%	3,21%	2,3	70,7	35,1
HFF24	3,63%	3,86%	3,67%	6,5	157,0	121,5
HFF34	3,64%	3,83%	3,71%	10,5	163,5	143,5
HFF44	3,67%	3,81%	3,71%	13,6	248,8	232,3

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of April '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 Q2	Actual Q2	Forecast 2010	Actual Jan-Apr 2010
HFF bond issuance	12 - 14	7,1	42 - 50	18,0
New HFF lending	6 - 8	1,3	25 - 33	8,1
HFF payments	20 - 22	12,0	65 - 73	29,9

Revised Forecast 2010					
MISK	1Q	2Q	3Q	4Q	Total 2010
HFF bond issuance	9 - 11	12 - 14	10 - 12	11 - 13	42 - 50
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

