

Market Developments

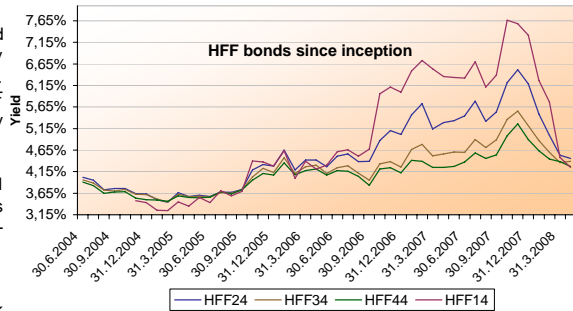
Total mortgage loans granted by the Housing Financing Fund (HFF) in April amounted to almost ISK 4.2 billion. Of that amount, loans for rental housing constituted slightly more than ISK 0.8 billion while general mortgages amounted to around ISK 3.4 billion. General mortgage loans averaged approximately ISK 10.4 million. Total lending by HFF thus increased by 16% from the previous month, while the average loan amount rose by 8% during the same period.

On April 17th, Standard & Poor's announced its decision to lower HFF's long-term local currency credit rating to 'A+' from 'AA-' with negative implications. Standard & Poor's changed HFF's short-term term local currency rating from 'A-1' to 'A-1+' and the short-term foreign currency rating 'A-1' was affirmed.

On April 15th, HFF held its first auction of HFF bonds in 2008. Bids worth a total of ISK 24.1 billion were submitted. Bids with a nominal value of ISK 8 billion were accepted as follows: ISK 3.9 billion for HFF150224, ISK 2.5 billion for HFF150434 and ISK 1.6 billion for HFF150644. The total weighted yield of bids accepted amounted to 4.73% excluding fees and 4.75% including fees.

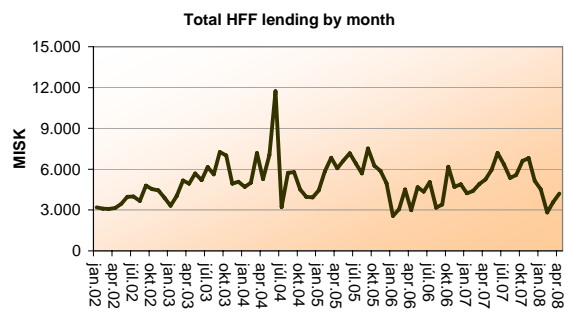
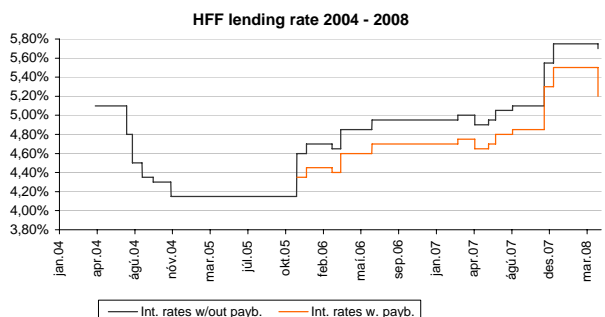
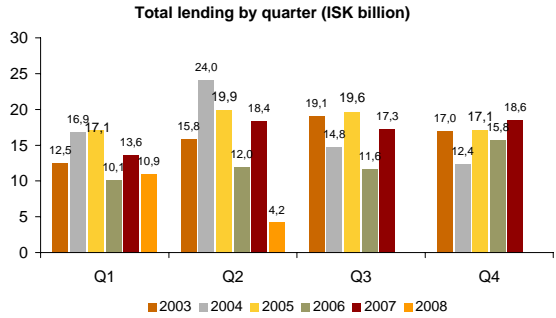
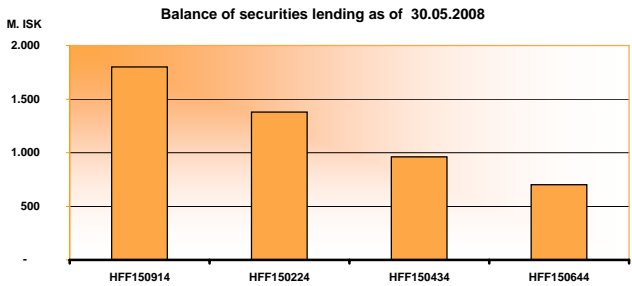
On April 10 th, the Board of the Central Bank of Iceland decided to raise the bank's policy interest rate by 0.5 percentage points, from 15.00% to 15.50%. An announcement by the Central Bank of Iceland states that inflation during the first quarter of the year exceeded the inflation forecast made in November of last year by 2,0 percentage points. Due to the recent depreciation of the ISK, the inflation rate is expected to rise even more, before it begins to taper off. As a result, the yield of all HFF-bond categories, except for HFF34 decreased.

HFF's payments in April amounted to around ISK 4.7 billion this month with payments of HFF-bonds representing the vast majority of the total.



Series	Jan. 2007	Feb. 2008	Mar. 2008	Duration	Face value	Outst. F.value
HFF14	5,76%	4,48%	4,25%	3,2	60,1	41,6
HFF24	4,99%	4,53%	4,46%	7,1	134,9	115,3
HFF34	4,60%	4,36%	4,39%	10,8	132,4	122,0
HFF44	4,44%	4,38%	4,27%	13,7	215,5	206,7

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of April '08
Of the total issuance of the face value, ISK 7.2 bn in each series directly belong to the lending facilitation for HFF bond market makers



HFF Auctions, Lending and Payments

Actual Figures 2008				
MISK	Forecast Q1	Actual Q1	Forecast 2008	Actual Jan-Mar 2008
HFF bond issuance	14-16	8,0	35-41	8,0
New HFF lending	13-15	4,2	49-55	15,1
HFF payments	11-13	4,7	44-52	17,2

Revised Forecast for 2008					
MISK	1Q	2Q	3Q	4Q	Total 2008
HFF bond issuance	0	14-16	11-13	10-12	35-41
New HFF lending	11	13-15	12-14	13-15	49-55
HFF payments	11-13	11-13	10-12	12-14	44-52

