

Market Developments

The Housing Financing Fund (HFF) issued almost ISK 2.1 billion in mortgages this month. Of that amount, almost ISK 2 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.3 billion in April of last year. The average loan amount issued for privately owned homes amounted to around ISK 9.9 million this month compared to approximately ISK 10 million in March 2011.

On April 14th, Standard & Poor's rating agency placed HFF's rating on Credit Watch with negative implications, corresponding to the change in rating for the Republic of Iceland.

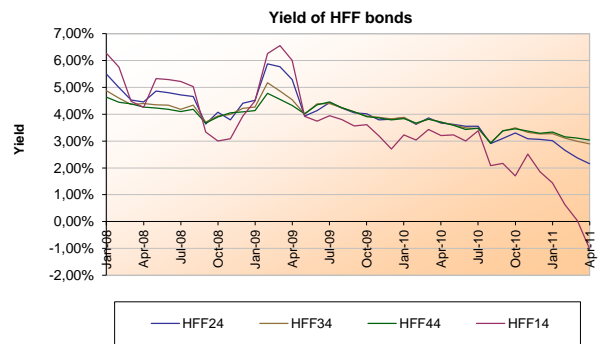
This month the CPI based on prices increased 0.78% from March (CPI less housing cost rose 0.65%). Cost of privately owned housing rose 1.4% which increased the index 0.17%, mainly due to higher market prices. Over the last three months, the housing index increased 2.2% in the Reykjavik area, 1.7% over the last six months and 1.9% over the last 12 months.

As of today, the Fund has issued 702 new mortgages this year as compared to 539 for the same period in 2010, an increase of 30%. The number of registered real estate contracts in the Reykjavik area this month was 337 (this number includes only residential property). The number of real estate contracts in the Reykjavik area for apartment building units increased 84% from April 2010, and 94% for single family homes.

HFF bond yields declined 6-21 points this month, depending on the bond series, but HFF14 declined 105 points.

Total turnover of HFF bonds reached approximately ISK 54.4 billion this month, compared to approximately ISK 64.2 billion in March.

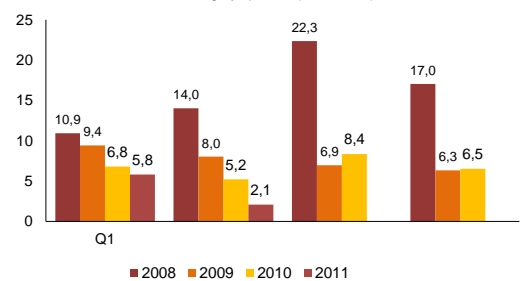
HFF's payments came to roughly ISK 8 billion this month, mostly due to amortizations of housing bonds which were ISK 7.6 billion. Prepayments of mortgages amounted to about ISK 350 million.



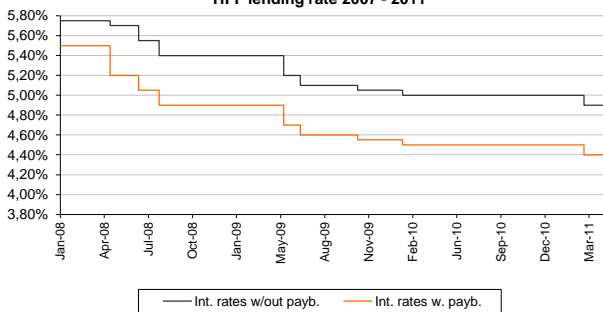
Series	Feb. 2011	Mar. 2011	Apr. 2011	Duration	Face value	Outst. F. value
HFF14	0,63%	0,03%	-1,02%	1,9	70,7	27,8
HFF24	2,66%	2,37%	2,16%	6,2	164,2	119,9
HFF34	3,11%	2,99%	2,89%	10,5	173,2	148,1
HFF44	3,16%	3,11%	3,04%	13,9	265,9	244,6

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

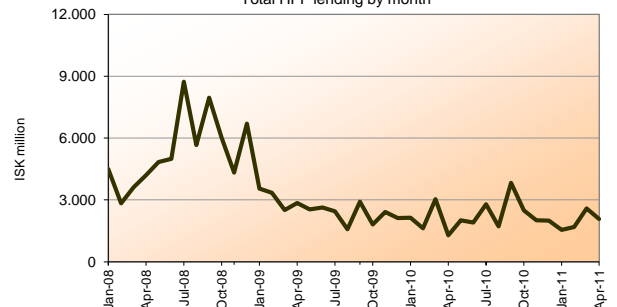
Total lending by quarter (ISK billion)



HFF lending rate 2007 - 2011



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2011

Billion ISK	Forecast Q2	Actual Q2	Forecast 2011	Actual Jan - Apr 2011
HFF bond issuance*	8 - 10	0,0	30 - 38	5,5
New HFF lending	7 - 9	2,1	27 - 35	7,9
HFF total payments	17 - 19	8,1	65 - 73	26,7

*Nominal value

Forecast 2011

Billion ISK	1Q	2Q	3Q	4Q	Total 2011
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

