

Market Developments

Mortgage loans granted by the Housing Financing Fund (HFF) in March came to roughly ISK 3.6 billion. Of that amount, general mortgages constituted approximately ISK 2.7 billion, while loans for rental housing amounted to almost ISK 0.9 billion. The general mortgage loan averaged around ISK 9.7 million. Compared to last month, total mortgages granted by HFF in March increased by 27% and the average loan amount rose by 12%.

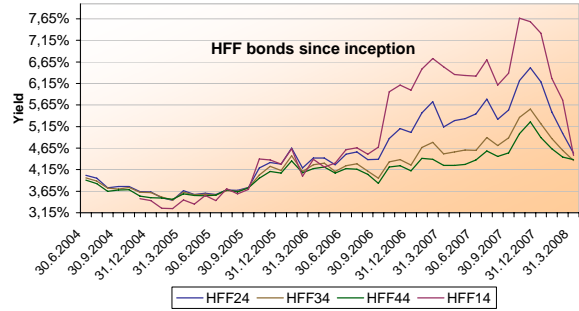
On March 5th, Moody's credit rating services changed its outlook on HFF's Aaa rating, from stable to negative. The change is a result of an adjusted outlook on the Republic of Iceland's rating.

On April 4th, HFF released a revised forecast for its mortgage lending in 2008, projecting the Fund's lending to be ISK 49 - 55 billion this year which is a reduction of ISK 8 - 10 billion from the previous forecast. The amount of issued HFF-bonds is presently estimated to be in the range of ISK 35 - 41 billion, a decrease of ISK 14 - 16 billion from the earlier forecast. This reduction is mostly due to a contraction in Iceland's real estate market.

The yield on HFF-bonds has declined by 20-51 points in March, depending on the type of category. The yield dropped by 51-284 points in the first quarter. Turnover on HFF-bonds amounted to approximately ISK 785 billion this March, compared to ISK 86 billion in March 2007.

On March 25th, the Central Bank of Iceland, raised its benchmark interest rate by 1.25%, from 13.75% to 15%. The bank announced that the conditions applied in its inflation forecast published in the Monetary Bulletin this past November, had changed. The bank stated that the current inflation rate had exceeded the forecasted rate and that inflation expectations had risen significantly. Consequently, the yield on HFF-bonds increased noticeably.

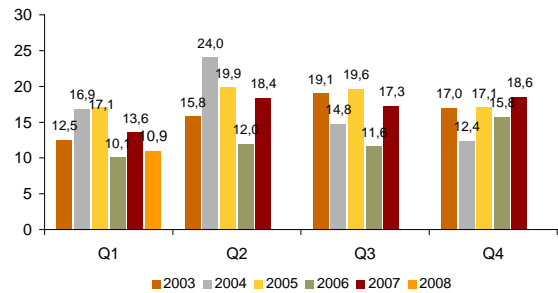
HFF's payments came to around ISK 4.6 billion this month with payments on HFF-bonds representing the vast majority of the total.



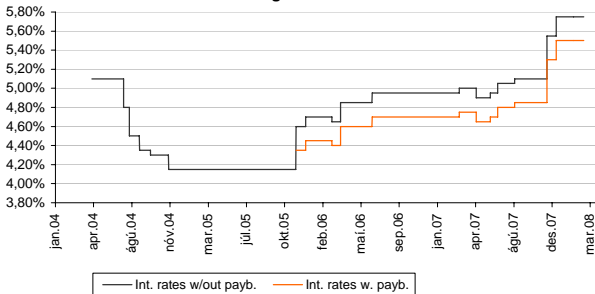
Series	Jan. 2007	Feb. 2008	Mar. 2008	Duration	Face value	Outst. F. value
HFF14	6,27%	5,76%	4,48%	3,3	60,1	41,6
HFF24	5,49%	4,99%	4,53%	7,2	131,0	111,9
HFF34	4,88%	4,60%	4,36%	10,6	129,9	121,1
HFF44	4,64%	4,44%	4,38%	13,6	213,9	205,2

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

Total lending by quarter (ISK billion)



HFF lending rate 2004 - 2008

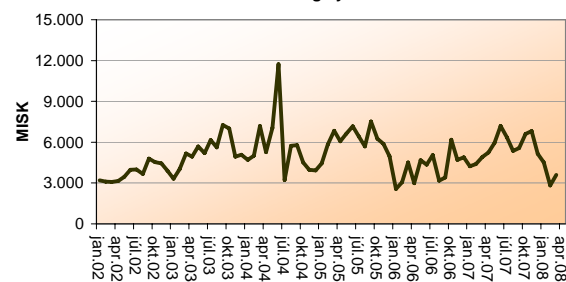


HFF Auctions, Lending and Payments

Actual Figures 2008				
	Forecast	Actual	Forecast	Actual
MISK	Q1	Q1	2008	Jan-Mar 2008
HFF bond issuance	0	0,0	35-41	0,0
New HFF lending	11	10,9	49-55	10,9
HFF payments	11-13	12,5	44-52	12,5

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

Total HFF lending by month



HFF bonds auctions

