

Market Developments

The Housing Financing Fund (HFF) issued nearly ISK 8 billion in September, a 40% increase from the previous month. Of that amount, almost ISK 5, 6 billion were issued for general housing loans and approximately ISK 2, 4 billion for rental housing loans. The total amount of mortgages issued in Q3 came to ISK 22, 3 billion, reaching a quarterly record since Q2 in 2004. Hence, the total amount issued in 2008 so far is roughly ISK 47 billion. The average general loan amount totaled ISK 11.3 million in September, a 3, 5% increase from the previous month.

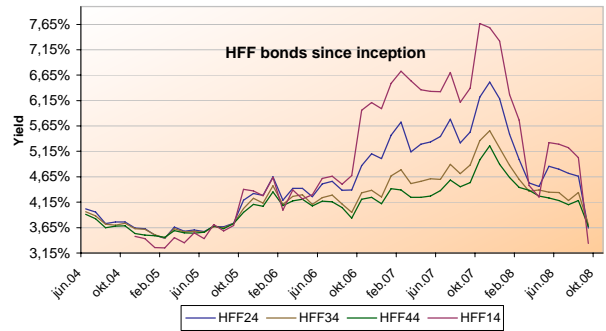
On August 8th, HFF held the 5th auction of the year in which submitted bids totaled ISK 23, 3 billion. The Fund decided to accept bids for a total of ISK 1.2 billion nominal value for HFF24 with an average yield of 4, 78% without commission, ISK 2, 7 billion for HFF34 with an average yield of 4, 40% without commission and ISK 1, 4 billion for HFF44 with an average yield of 4, 21% without commission. The Fund's loan interest rate remained unchanged as a result of the auction.

Total turnover of HFF bonds this month came to approximately ISK 223 billion, a 63% increase from the previous month, making the total turnover of HFF bonds in 2008 amounting to ISK 2116 billion.

On September 29th, Standard & Poor's lowered HFF's long term local currency rating to 'A' from 'A+' and the long term foreign currency rating to 'A-' from 'A'. Long term ratings were also placed on review with a negative outlook. The rating for short term foreign currency rating was lowered to 'A-2' from 'A-1' and the short term rating A-1 in local currency was affirmed.

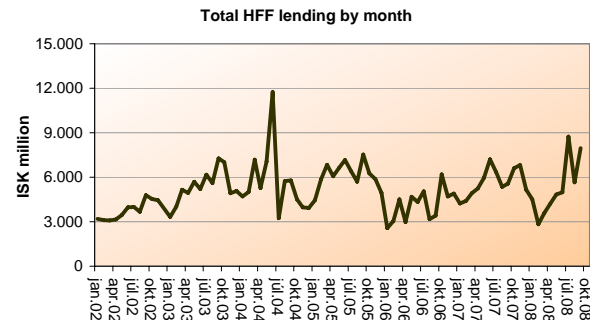
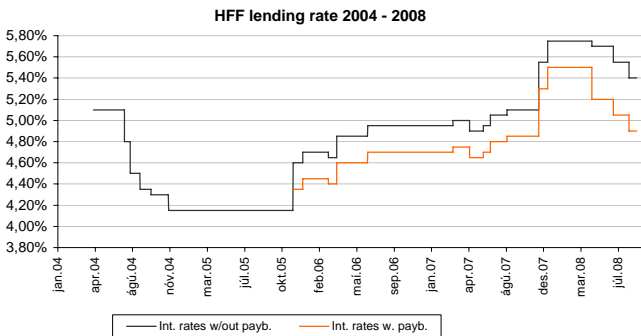
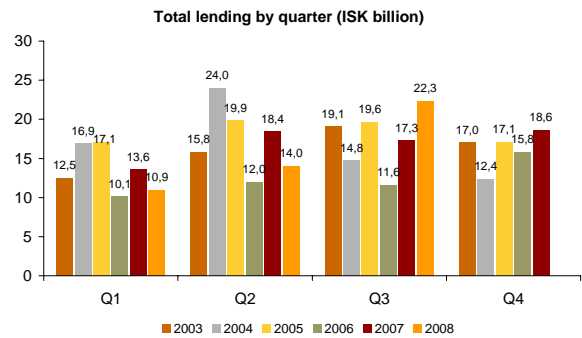
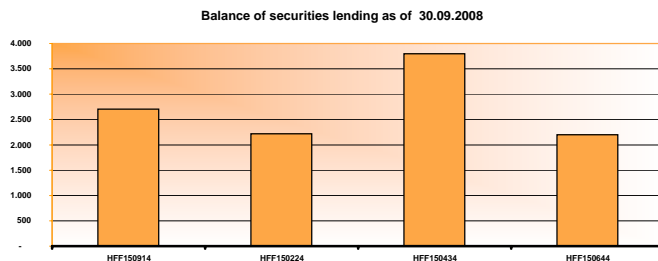
HFF issued ISK 8,9 billion in a new loan class to 7 financial institutions this month. These loans were granted to financial institutions in order to temporarily refinance mortgages that these companies had issued for housing.

HFF's payments in September came close to ISK 5, 5 billion, with payments of HFF bonds representing the majority of the amount or 4.8 billion.



Series	Jul. 2008	Aug. 2008	Sep. 2008	Duration	Face value	Outst. F.value
HFF14	5,22%	5,03%	3,34%	2,9	71,8	46,2
HFF24	4,72%	4,66%	3,64%	7,1	148,7	124,2
HFF34	4,18%	4,34%	3,71%	10,5	143,8	132,5
HFF44	4,10%	4,18%	3,67%	13,8	219,8	209,5

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

MISK	Actual Figures 2008		Actual Jan-Sept 2008
	Forecast Q3	Actual Q3	
HFF bond issuance	17-19	18,3	47-51
New HFF lending	18-20	22,3	60-64
HFF payments	11-13	12,9	49-53

MISK	Revised Forecast for 2008				
	1Q	2Q	3Q	4Q	Total 2008
HFF bond issuance	0	16	17-19	14-16	47-51
New HFF lending	11	14	18-20	17-19	60-64
HFF payments	12	13	11-13	13-15	49-53

