

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 8.7 billion in mortgages this month, with general loans being approximately ISK 6.9 billion, and loans for rental housing almost ISK 1.9 billion. Loans granted in July increased by approximately 75% from last month and by almost 38% from the same time last year, hitting its highest monthly level since June 2004. So far, the Fund has issued ISK 33 billion in mortgages this year, which is a 13% decrease from last year.

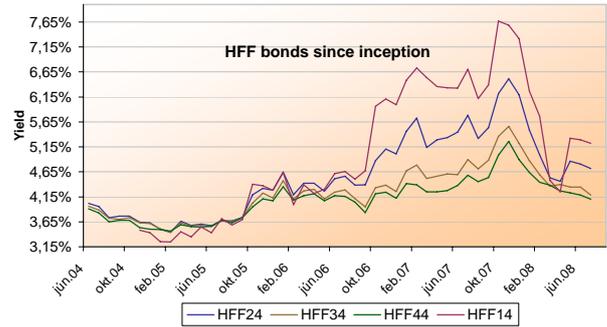
A revised forecast on loans, HFF-bond issuance, and the Fund's payments was published on July 31st, projecting a rise of ISK 9-11 billion in issued loans from the previous forecast. Furthermore, issuance of HFF bonds is expected to increase by ISK 10-12 billion and the Fund's payments by ISK 1 billion during the 3rd and 4th quarter of 2008 from the prior forecast.

This revision follows a statement issued by the government of Iceland on particular measures to be taken in relation to housing affairs. The main reasons for the projected increase in loans and HFF bond issuance are: The loan amount is no longer limited to the property's fire insurance value, the maximum loan amount has been raised to ISK 20 million, and the budget for rental housing loans has been increased to ISK 5 billion.

On July 17th, the Minister of Social Affairs and Social Security signed a regulation regarding a new loan class, authorizing HFF to grant loans to financial undertakings with the purpose of temporarily refinancing mortgages, previously issued by these undertakings. Up to ISK 30 billion will be issued in this loan class in the form of HFF bonds and will exclusively be used as collateral in transactions with the Central Bank of Iceland. The regulation is issued in accordance with the government's statement of June 19th, introducing measures to be taken in relation to housing affairs.

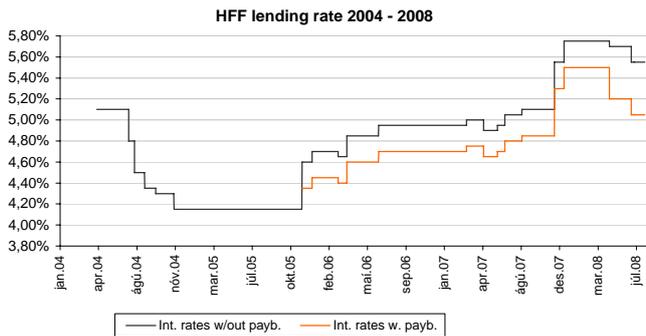
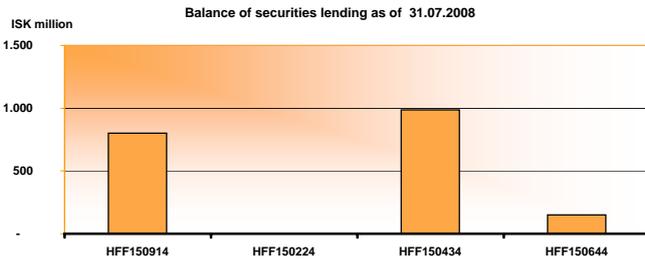
Turnover of HFF bonds reached approximately ISK 132 billion in July, declining 43% since last month. So far, the turnover amounts to ISK 1756 billion this year, an increase of 175% from the same time last year.

HFF's payments totaled around ISK 500 billion in July, with payments of Housing bonds representing the majority.



Series	May 2008	Jun. 2008	Jul. 2008	Duration	Face value	Outst. F.value
HFF14	5,32%	5,29%	5,22%	2,9	60,1	41,6
HFF24	4,86%	4,80%	4,72%	6,8	138,5	118,3
HFF34	4,34%	4,34%	4,18%	10,7	136,1	125,4
HFF44	4,23%	4,18%	4,10%	13,9	216,2	206,1

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

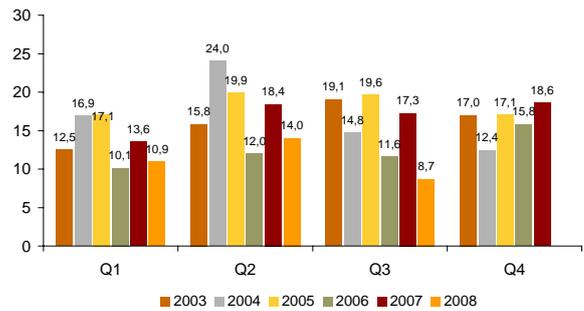


HFF Auctions, Lending and Payments

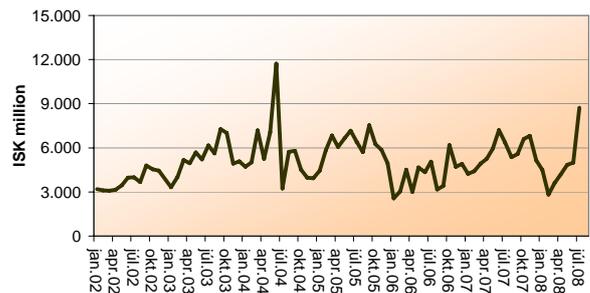
	Actual Figures 2008			
	Forecast Q2	Actual Q2	Forecast 2008	Actual Jan-Jun 2008
MISK	17-19	0,0	47-51	16,0
HFF bond issuance	18-20	8,7	60-64	33,7
HFF payments	11-13	0,5	49-53	25,6

	Revised Forecast for 2008			
	1Q	2Q	3Q	4Q Total 2008
MISK	0	16	17-19	14-16
HFF bond issuance	11	14	18-20	17-19
HFF payments	12	13	11-13	13-15

Total lending by quarter (ISK billion)



Total HFF lending by month



HFF bonds auctions

