



Market Developments

The Housing Financing Fund (HFF) issued almost ISK 6,7 billion in mortgages in December. Of that amount approximately ISK 4,2 billion were general loans but almost ISK 2,5 billion rental loans. The Fund issued ISK 17,0 billion in mortgages during the fourth quarter. The total amount issued in 2008 came to slightly more than ISK 64,4 billion compared to ISK 67,8 billion in 2007.

The average general loan amount was ISK 12,4 million, an increase of 14% from the previous month.

On December 4th, Moody's rating services lowered HFF's credit rating to Baa1 from A1. The outlook is negative. The rating was lowered as a result of a reduced rating for the Republic of Iceland.

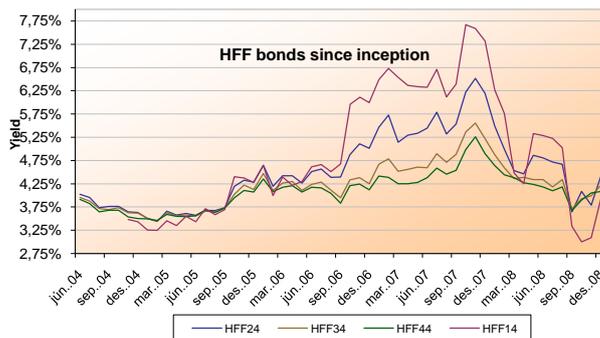
On December 16th, HFF signed agreements regarding issuance and market making for HFF Bonds in the secondary market. The objective of the agreements was to enhance HFF's access to borrowed money and strengthen price formation in the secondary market. Since December 17th 2008, five financial undertakings are authorized to refer to themselves as Primary Dealers for HFF bonds; Glitnir banki, Kaupthing banki, MP Investment bank, NBI hf., and Straumur - Burðarás Investment Bank.

Total turnover of HFF bonds in December reached approximately ISK 56,2 billion, an increase of 26% from the previous month. Total turnover in 2008 amounted to ISK 2.379 billion.

In December, Parliament approved a bill regarding amendments to law on housing affairs. Pursuant to the law, the loan period may now be extended by 30 years instead of 15 years. This extension applies to debtors that are experiencing financial difficulties. Hence, the maximum loan period has been lengthened from 55 years to 70 years. Debtors who can no longer meet HFF mortgage payments of their homes now have the opportunity to rent the home from HFF.

On December 19th, HFF released its forecast on the issuance of HFF bonds for 2009. The Fund estimates to issue ISK 49-57 billion in new loans in 2009 which is somewhat lower than in 2008. Of that amount, loans for rental housing are estimated to be ISK 14-16 billion. The forecasted issuance of HFF bonds in 2009 is ISK 36-44 billion.

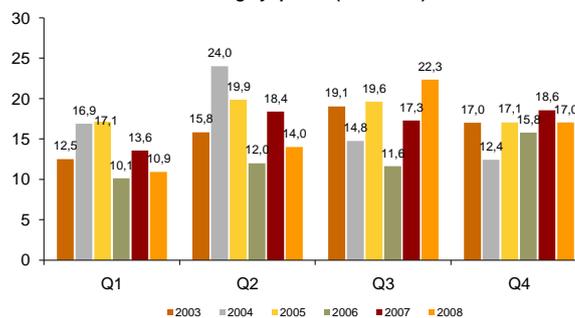
HFF's payments reached ISK 9,2 billion in December with the majority of the amount representing payments on HFF bonds, or roughly ISK 7,5 billion.



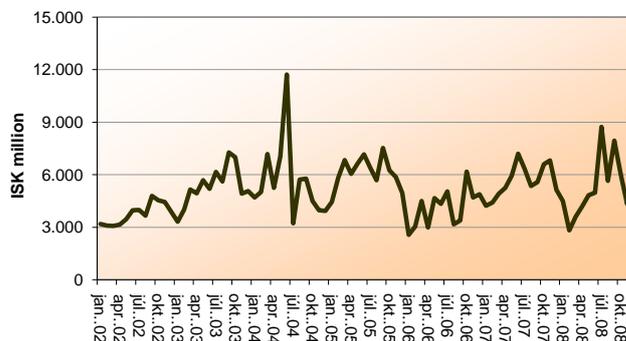
Series	Oct. 2008	Nov. 2008	Des. 2008	Duration	Face value	Outst. F. value
HFF14	3,00%	3,09%	3,93%	2,8	82,3	53,0
HFF24	4,08%	3,78%	4,41%	6,8	150,7	125,9
HFF34	3,93%	3,99%	4,22%	10,6	147,8	134,7
HFF44	3,90%	4,05%	4,09%	13,9	224,8	212,8

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of Desember '08
Of the total issuance of the face value, ISK 7,2 bn in HFF14, 7,2 bn in HFF24, 7,2 bn in HFF34 and HFF44 directly belong to the lending facilitation for HFF bond market makers

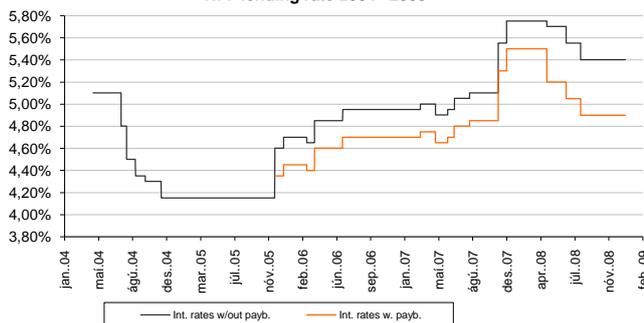
Total lending by quarter (ISK billion)



Total HFF lending by month



HFF lending rate 2004 - 2008



HFF Auctions, Lending and Payments

Actual Figures 2008

	Forecast Q4	Actual Q4	Forecast 2008	Actual Jan-Dec 2008
MISK				
HFF bond issuance	14-16	0,0	47-51	34,3
New HFF lending	17-19	17,0	60-64	64,4
HFF payments	13-15	15,5	49-53	53,5

Revised Forecast for 2008

	1Q	2Q	3Q	4Q	Total 2008
MISK					
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

HFF bonds auctions

