

Market Developments

Total lending by the Housing Financing Fund (HFF) amounted to more than ISK 6.4 billion (bn) in October. Of this amount, almost ISK 4.7 bn represented general loans and around ISK 1.7 bn were loans for rental housing. The Fund's total lending so far this year amounts to more than ISK 53.7 bn, compared to ISK 55.8 bn in the first ten months of 2007. The average general loan amounted to around ISK 11.7 million in October, a slight increase from the previous month (around 3.5%).

On 6 October the Althing passed a law granting HFF permission to overtake mortgage loans by financial institutions. The permission applies for foreign and domestic loans and is valid regardless of amount or mortgage ratio of housing. If the loans will be taken over HFF's rules on payment difficulties will apply for these as well as the Fund's other lending. Financial institutions wishing for HFF's takeover of the loans will need to submit an application to this effect to the Fund.

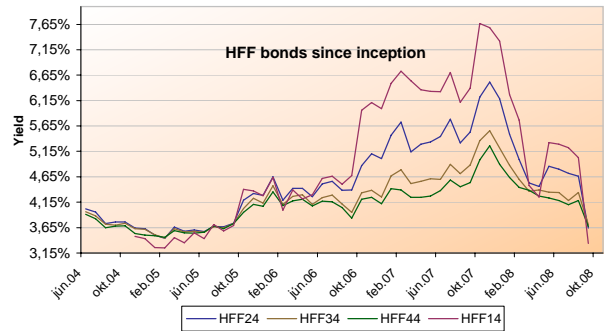
On the same day, on 6 October, Standard & Poor's announced the agency's decision to lower HFF's long-term local currency credit rating to 'BBB' from 'A+'. Furthermore, the credit rating for long-term liabilities in foreign currencies was lowered to 'BBB' from 'A-'.

Two days later, on 8 October, Moody's announced its decision to lower HFF's credit rating from Aa1 to A1. The credit rating is still on review for possible downgrade. HFF's credit rating was lowered following the lowering of the credit rating of the Icelandic Treasury.

On 15 October the Minister of Social Affairs and Social Security announced a regulation change increasing HFF's permissions to make concessions for borrowers experiencing payment difficulties. HFF has also softened its collection activities in response to the economic situation. From now on, the deadline from the due date until a payment challenge is sent out will be four to four and a half months since the oldest unpaid due payment, instead of two to two and a half months previously. A forced sale can be cancelled if a third of the amount in arrears is paid off, as opposed to half of the defaulted amount previously, and the evacuation process of auctioned housing has been extended from one month to three months.

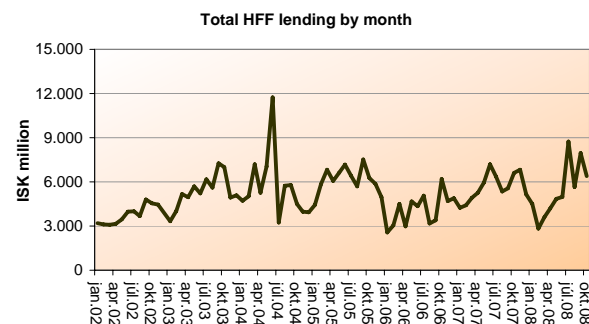
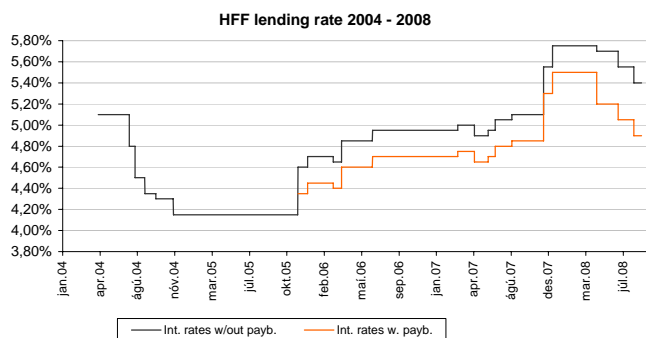
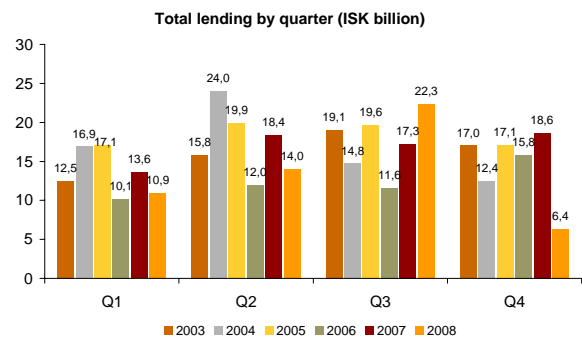
The total turnover of HFF bonds in October amounted to more than ISK 162 bn, dropping by 40% from the previous month. The total turnover of HFF bonds in the year 2008 so far amounts to around ISK 2,278 bn.

HFF's payments in October amounted to around ISK 5.7 bn, the majority of which represented repayments of HFF bonds, or around ISK 5.3 bn.



Series	Aug. 2008	Sep. 2008	Oct. 2008	Duration	Face value	Outst. F.value
HFF14	5,03%	3,34%	3,00%	2,9	71,8	53,0
HFF24	4,66%	3,64%	4,08%	7,1	148,7	125,9
HFF34	4,34%	3,71%	3,93%	10,5	143,8	134,7
HFF44	4,18%	3,67%	3,90%	13,8	219,8	214,3

*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 HFF14, 7.2 bn in HFF24, 7.2 bn in HFF34 and HFF44 directly belong to the lending facilitation for HFF bond market makers



HFF Auctions, Lending and Payments

Actual Figures 2008

MISK	Forecast		Actual		Actual
	Q4	Q4 2008	Q4	2008	Jan-Oct 2008
HFF bond issuance	14-16	0,0	0,0	47-51	34,3
New HFF lending	17-19	6,4	6,4	60-64	53,7
HFF payments	13-15	5,7	49-53		43,7

Revised Forecast for 2008

MISK	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

