

Market Developments

The Housing Financing Fund (HFF) issued roughly ISK 4.3 billion in mortgages in November. Of that amount, approximately ISK 3.2 billion was issued for general housing loans and slightly less than ISK 1,1 billion for rental housing loans. Fund's total lending this year amounts to more than ISK 53 bn. compared to ISK 62.7 bn. in the first eleven months of 2008. The average general loan amounted to around ISK 10.9 million in November, a slight decrease from the previous month (around 6.83%).

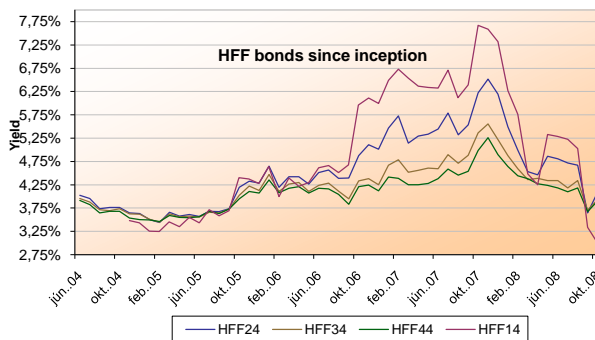
On November 24th, Standard & Poor's rating services lowered HFF's long term rating in foreign currency to BBB-' from 'BBB' and affirmed its long term rating, 'BBB', in local currency.

On November 27th the minister of social affairs and security, Johanna Sigurdardottir, signed a regulation granting HFF authority to take over mortgages issued by financial undertakings. Pursuant to the regulation, HFF is authorized to buy housing backed mortgages from financial undertakings. This authorization applies both to local and foreign currency mortgages. Once mortgages are taken over by HFF, the rights of the mortgage debtor will automatically fall under HFF's terms and conditions. In cases where HFF takes over mortgages of a financial undertaking, the undertaking and HFF are permitted to make an agreement so that the undertaking may continue the billing and collection process of the mortgage payments.

HFF's total turnover of HFF bonds this month came to slightly more than ISK 44.7 billion, a decrease of 72% from the previous month. The total turnover this year amounts to ISK 2.323 billion so far.

In November, Parliament approved a bill regarding law amendments on payment detainment/adjustment on general mortgages. All of HFF's clients holding inflation linked mortgages may now request payment detainment/adjustment. This service is free of charge. Electronic applications can be found on the Fund's website, www.iis.is.

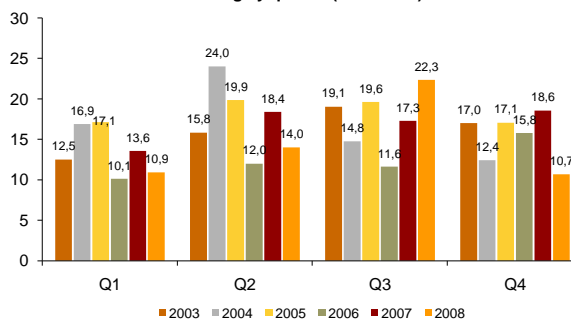
HFF's payments came to ISK about 0.6 billion for housing bonds and HFF bonds this month, approximately half for each bond group.



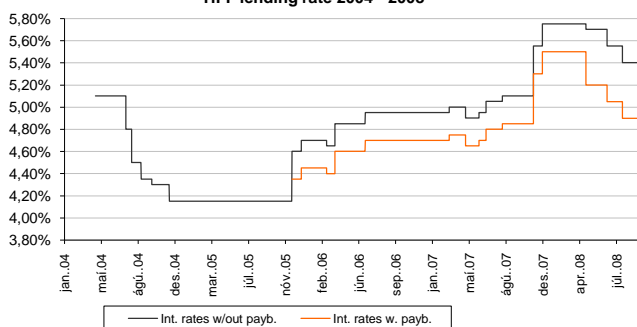
Series	Sep. 2008	Oct. 2008	Nov. 2008	Duration	Face value	Outst. F. value
HFF14	3,34%	3,00%	3,09%	3,0	82,3	53,0
HFF24	3,64%	4,08%	3,78%	7,0	150,7	125,9
HFF34	3,71%	3,93%	3,99%	10,8	147,8	134,7
HFF44	3,67%	3,90%	4,05%	13,6	224,8	214,3

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

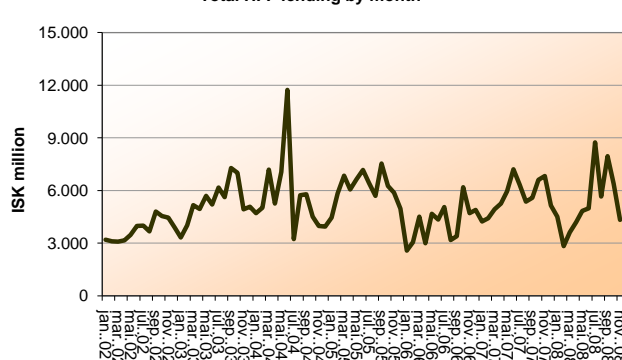
Total lending by quarter (ISK billion)



HFF lending rate 2004 - 2008



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2008

	Forecast Q4	Actual Q4	Forecast 2008	Actual Jan-Nov 2008
MISK				
HFF bond issuance	14-16	0,0	47-51	34,3
New HFF lending	17-19	10,7	60-64	58,0
HFF payments	13-15	6,3	49-53	44,3

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

