

## Market Developments

The Housing Financing Fund (HFF) issued almost ISK 5.7 billion in mortgages this month, which is an increase of approximately 6% from August of last year. Of that amount, roughly ISK 4.3 billion were issued for general housing loans, and roughly ISK 1.3 billion for rental housing loans. The Fund has therefore granted ISK 39 billion so far in 2008. The average general loan amount came to ISK 10.9 million in August, an increase of 15% from the same time last year.

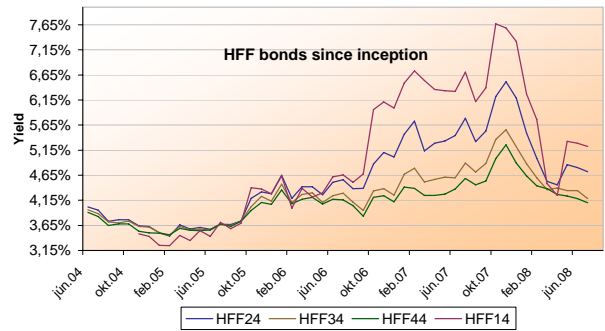
On August 8th, HFF held the 3rd auction of HFF bonds this year in which submitted bids totaled ISK 19.7 billion at nominal value. HFF decided to accept the following bids: ISK 3.5 billion for HFF24 with an average yield of 4.68%, without commission, ISK 3.1 billion for HFF34 with an average yield of 4.27%, without commission, and ISK 1.4 billion for HFF44 with an average yield of 4.15%, without commission. As a result of the auction, the Fund lowered its interest rates by 015%. Hence, the rate on loans containing a prepayment clause is presently at 4.90% but 5.40% on loans, without such a clause.

On August 22nd, HFF held the 4th auction of the year, receiving bids for ISK 21 billion at nominal value. The Fund accepted the following bids: ISK 2.3 billion for HFF34 with an average yield of 4.36%, without a commission, ISK 1.9 billion for HFF34 with an average yield of 4.36%, without commission, and ISK 800 billion for HFF44 with an average yield of 4.19%, without commission. Unchanged interest rates were the result of this auction.

Total turnover of HFF bonds this month came to ISK 132 billion, an increase of 3% from last month, making the total turnover of HFF bonds in 2008 amounting to ISK 1892 billion.

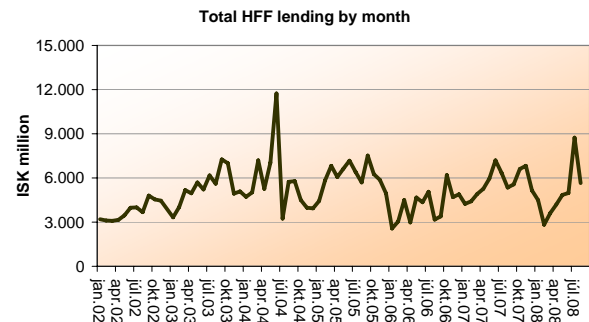
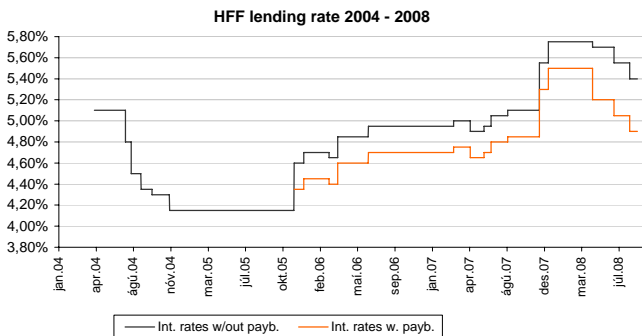
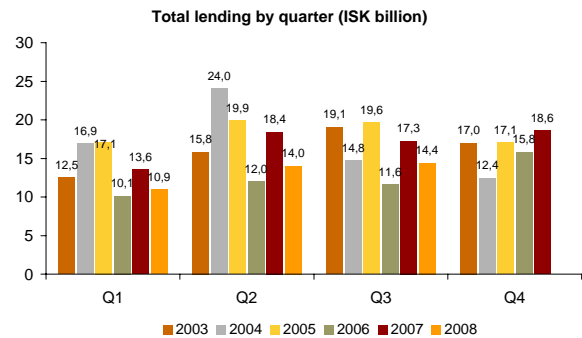
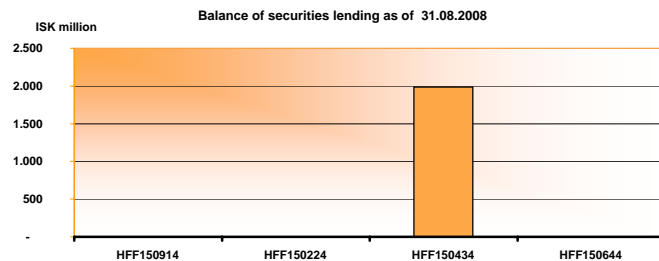
On August 22nd, HFF announced the decision of its Board to authorize borrowers who own two properties carrying HFF mortgages, to suspend loan installments due to difficulties in selling one of the property's. Pursuant to this authorization, borrowers may suspend loan installments on one or both properties. This rule also applies to borrowers who own a home with an HFF mortgage and are in the process of building a home. Borrowers with an HFF mortgage on one of their property's may apply for payment suspension on that particular loan.

HFF's payments in August came close to ISK 6.9 billion, with payments of HFF bonds representing the majority of the amount.



Series	Jun. 2008	Jul. 2008	Aug. 2008	Duration	Face value	Outst. F.value
HFF14	5,29%	5,22%	5,03%	2,9	60,1	41,6
HFF24	4,80%	4,72%	4,66%	7,1	144,3	120,4
HFF34	4,34%	4,18%	4,34%	10,5	141,1	130,1
HFF44	4,18%	4,10%	4,18%	13,8	218,4	208,2

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

MISK	Forecast Q3	Actual Q3	Forecast 2008	Actual Jan-Aug 2008
HFF bond issuance	17-19	13,0	47-51	29,0
New HFF lending	18-20	14,4	60-64	39,4
HFF payments	11-13	7,3	49-53	32,5

#### 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

