

Market Developments

Total lending by the Housing Financing Fund (HFF) amounted to around ISK 5.6 billion (bn) in September. Thereof, around 1.4 bn were loans for rental housing while general loans constituted 4.2 bn of the amount. The average general loan amounted to around ISK 8.8 million which is a considerable decrease from earlier months of the year when the average loan amounted to ISK 9.1 - 9.6 million.

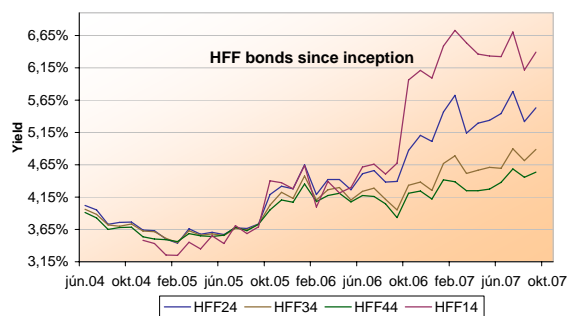
Total lending in the third quarter amounted to 17.3 bn and in the first nine months total lending has amounted to 49.3 bn. The Fund's forecast for total lending in the year was 52-59 bn but it's clear that lending in the year will be above the upper limit of that forecast. The forecast for lending in the fourth quarter was 14-16 bn. Because of uncertainty in lending for rental housing the Fund now estimates lending in the fourth quarter to be 14-20 bn and therefore total lending in the year is estimated to be 63-69 bn.

On 13 September HFF held the eighth auction of HFF bonds in the year 2007. Bids worth a total of ISK 22.1 bn were submitted and the Fund decided to accept bids for a nominal value of 9.3 bn for HFF44, carrying an average yield of 4.43% without a commission and 4.44% with such a fee. As a result, the Fund's lending interest rates were left unchanged at 4.85% for loans excluding the prepayment clause and 5.1% for loans including the clause. For further information on the result of the auction and the interest rate decision, see the notification to the Iceland Stock Exchange (ICEX) dated 13 September.

HFF issued bonds worth a nominal value of ISK 14.4 bn in the third quarter which is 1.4 bn above the upper limits of the Fund's forecast for bond issuance in the quarter. Higher bond issuance is the result of new lending in the year exceeding the Fund's lending forecast by a considerable amount. To date, issued bonds exceed the upper limits of the forecast for issuance in the first three quarters by 2.6 bn. However, the Fund does not expect total bond issuance in the year to exceed the year's forecast of 55 bn. As a result, the forecast for issuance in the fourth quarter has been lowered to 11-13 bn.

The yield of HFF bonds increased a bit in September. At the end of the month the yield was 8-28 bps higher than in the previous month. Turnover of HFF bonds in September was around ISK 102 bn.

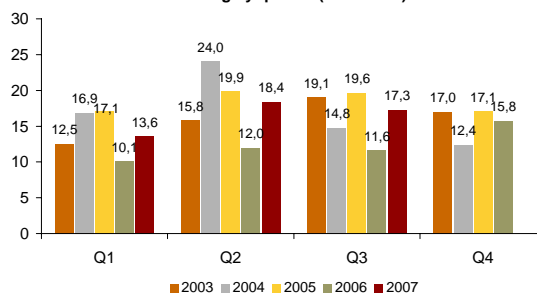
HFF's total repayments amounted to around ISK 4.4 bn in September, of which a repayment of HFF14 constituted the largest share, around ISK 4.0 bn.



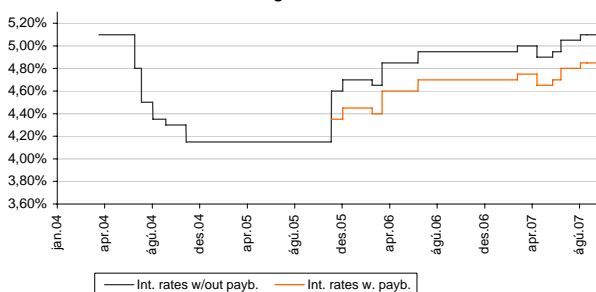
Series	Jul. 2007	Aug. 2007	Sep. 2007	Duration	Face value	Outst. F. value
HFF14	6,70%	6,12%	6,39%	3,5	57,7	42,6
HFF24	5,79%	5,32%	5,53%	7,2	128,6	112,4
HFF34	4,89%	4,71%	4,88%	10,5	127,5	120,2
HFF44	4,58%	4,46%	4,54%	13,6	198,2	191,4

**Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of September '07
Of the total issuance of the face value, ISK 4,8 bn in each series directly belong to the lending facilitation for HFF bond market makers*

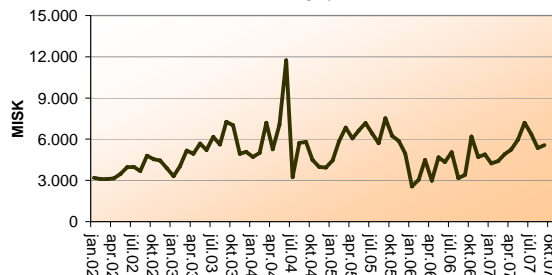
Total lending by quarter (ISK billion)



HFF lending rate 2004 - 2007



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2007				
	Forecast	Actual	Forecast	Actual
MISK	Q3	Q3	2007	Jan-Sep
HFF bond issuance	11-13	14,4	47-55	42,6
New HFF lending	13-15	17,3	52-59	49,3
HFF payments	11-13	10,4	49-56	34,4

Forecast for 2007					
MISK	1Q	2Q	3Q	4Q	Total 2007
HFF bond issuance	11-13	12-14	11-13	11-13	47-55
New HFF lending	12-13	13-15	13-15	14-20	63-69
HFF payments	14-15	12-14	11-13	12-14	49-56

HFF bonds auctions

