

Market Developments

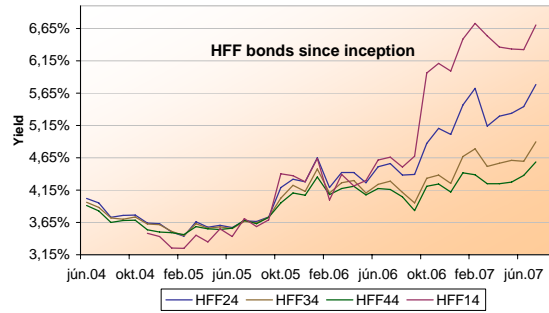
Total lending by the Housing Financing Fund (HFF) amounted to around ISK 6.3 billion (bn) in July. Thereof, around ISK 600 million were loans for rental housing while general loans constituted 5.7 bn of the amount. The average general loan amounted to around ISK 9.4 million. The Fund's forecast for new lending in the third quarter is ISK 13-15 bn.

HFF did not held an auction of HFF bonds in July but plans to issue bonds worth a nominal value of ISK 11-13 bn in the third quarter. The Fund's lending interest rates are therefore unchanged at 4.80% for loans excluding the prepayment clause and 5.05% for loans including the clause.

On July 3 the Ministry of Social Affairs issued a regulation to change the regulation on the loan ratio of HFF bonds, No 540/2006. The change involves a decreased ratio of HFF's general loans from 90% to 80% of property price but the maximum amount for a general loan is unchanged at ISK 18 million. The Fund does not expect that the change will have a significant impact on total new lending although it may have some impact on lending in rural areas where, because the fire insurance valuation is closer to the market value, buyers have benefited from a higher LTV ratio.

The yield of HFF bonds reached its highest level ever in July. The yield's increase is probably caused by expectations of high real interest rates in the coming months because of lower inflation and the Central Bank's decision to leave its policy rates unchanged. The yield of HFF bonds rose by 21-38 bps from previous month. The turnover of HFF bonds in July was well above average and amounted to ISK 118 bn.

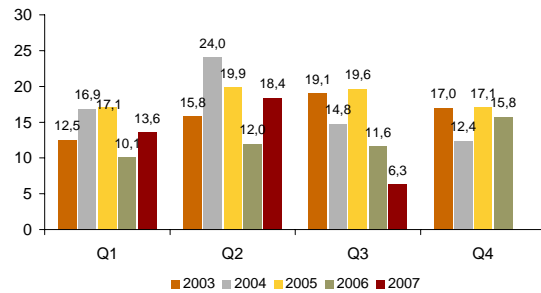
HFF's total repayments in July amounted to around ISK 380 million of which a redemption of bond certificates represented the greatest amount.



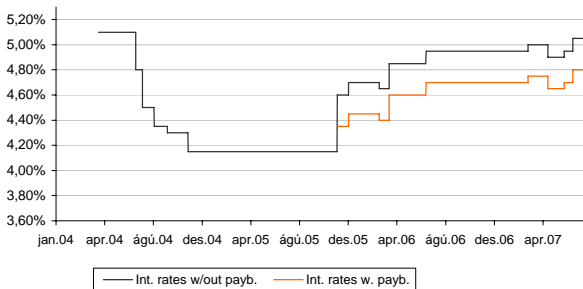
Series	May. 2007	Jun. 2007	Jul. 2007	Duration	Face value	Outst. F. value
HFF14	6,33%	6,32%	6,70%	3,4	57,7	45,2
HFF24	5,34%	5,44%	5,79%	7,1	128,6	114,8
HFF34	4,61%	4,60%	4,89%	10,9	127,5	120,2
HFF44	4,27%	4,38%	4,58%	14,0	183,8	177,5

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

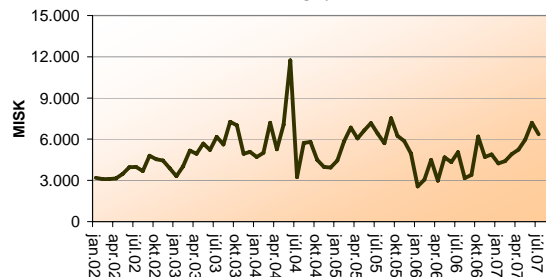
Total lending by quarter (ISK billion)



HFF lending 2004 - 2007



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2007				
	Forecast	Actual	Forecast	Actual
MISK	Q3	Q3	2007	Jan-Jul
HFF bond issuanc	11-13	0,0	47-55	28,2
New HFF lending	13-15	6,3	52-59	38,3
HFF payments	11-13	0,4	49-56	24,4

Forecast for 2007				
MISK	1Q	2Q	3Q	4Q Total 2007
HFF bond issuanc	11-13	12-14	11-13	13-15 47-55
New HFF lending	12-13	13-15	13-15	14-16 52-59
HFF payments	14-15	12-14	11-13	12-14 49-56

HFF bonds auctions

