

Market developments

Total lending by the Housing Financing Fund (HFF) in January amounted to around ISK 4.3 billion (bn). Of this amount, around ISK 800 million were loans for rental housing, while general lending represented around ISK 3.5 bn. On 24 January HFF held the first auction of HFF bonds in the year 2007. Bids worth a total of ISK 10.7 bn were submitted and bids worth a nominal value of ISK 2.9 bn for HFF 44 were accepted, bearing an average yield of 4.31% excluding fees. The Fund's lending rates remained unchanged as a result. A more detailed account of the auction and the interest rate decision can be read in notifications published to the Iceland Stock Exchange (ICEX) dated 25 January.

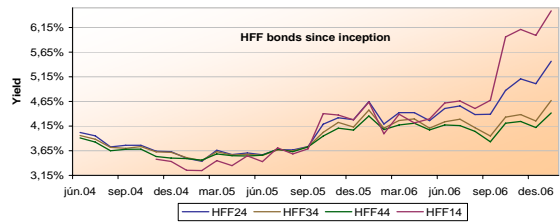
The yield of HFF bonds has been increasing during the first month of the year, possibly caused in the most part by high short-term interest rates and low inflation expectations. The yield of HFF14, HFF24 and HFF34 has never been higher than at the end of January, while the yield of HFF44 was just below its highest value ever, occurring in early February last year. The turnover of HFF bonds in January amounted to a little more than ISK 100 bn, similar to the previous month's turnover.

On 3 January it was announced that the HFF board had decided that the floating interest rate of loans for rental housing should be 4.95% from the beginning of the year. All general loans for rental housing with floating interest rates shall carry this interest rate, be they previously taken loans or new loans.

HFF also offers general loans for rental housing to leasing organisations, carrying fixed interest rates. These loans fall into two classes. On the one hand, there are loans that can be paid off without a special prepayment fee. This type of loans currently carries an interest rate of 4.95%. On the other hand there are loans for rental housing that can only be paid off by also paying the prepayment fee. The interest rate for this type of loans is currently 4.70%. Furthermore, HFF offers loans for rental housing with certain conditions for the income and assets of tenants. This type of loans carries an interest rate of 3.5%.

The real estate price index for the greater Reykjavik area increased slightly in December, or by 0.7%, according to figures from the Land Registry of Iceland. However, the index went up by 5% during the year 2006. Thus the real value of the index decreased slightly, i.e. considering the inflation of the year.

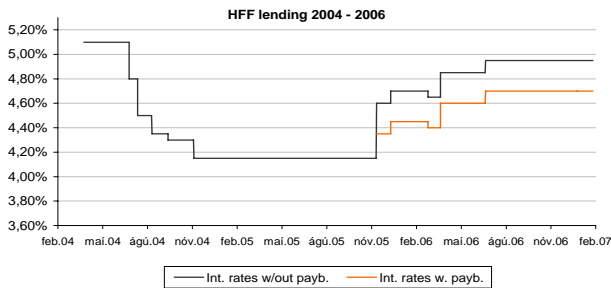
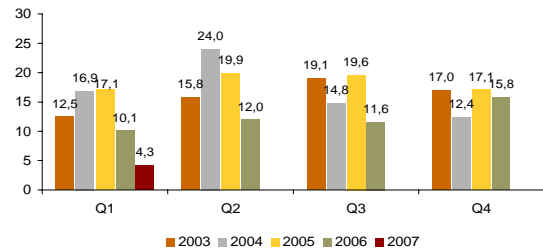
HFF's payments in January amounted to around ISK 640 million. Thereof, redemption of bond certificates represented the greatest amount by far. HFF presumes that interest payments and instalments in the year 2007 will amount to ISK 49-56 bn.



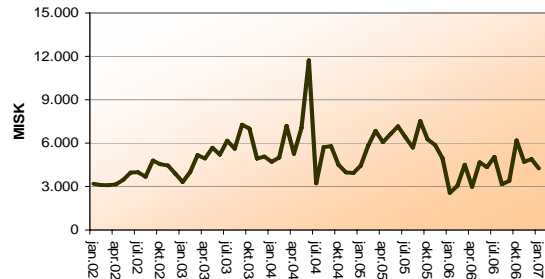
Series	Nov. 2006	Dec. 2006	Jan. 2007	Duration	Face value	Outst. F. value
HFF14	6,11%	5,99%	6,49%	3,5	57,7	47,8
HFF24	5,11%	5,01%	5,46%	7,2	128,6	117,2
HFF34	4,38%	4,25%	4,67%	10,9	126,4	120,4
HFF44	4,24%	4,12%	4,41%	14,0	159,7	155,1

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



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2007

MISK	Forecast Q1	Actual Q1	Forecast 2007	Actual Jan 2007
HFF bond issuance	11-13	2,9	35-41	2,9
New HFF lending	12-14	4,3	43-49	4,3
HFF payments	12-14	0,6	53-59	0,6

Forecast for 2007

MISK	1Q	2Q	3Q	4Q	Total 2007
HFF bond issuance	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

