

Market Developments

Total lending by the Housing Financing Fund (HFF) in January came close to ISK 4.5 billion, an increase of approximately 6% from the previous month. Of that amount, around ISK 1 billion were loans for rental housing, while general loans constituted ISK 3.5 billion. The average general loan totaled around ISK 9.7 million, an increase of approximately 12% from the previous month. The average general loan amount was about 2% higher in January of 2007 than in January of 2006.

The yield on HFF-bonds decreased considerably, or by 25-105 points, depending on the category. Total turnover on HFF-bonds came close to ISK 357 billion, reaching an all-time record high. This is a significant increase from the previous month which had a total turnover of approximately ISK 155 billion.

In January, the timing for measuring price values for the Consumer Price Index (CPI) as well as the CPI's calculation method, was altered.

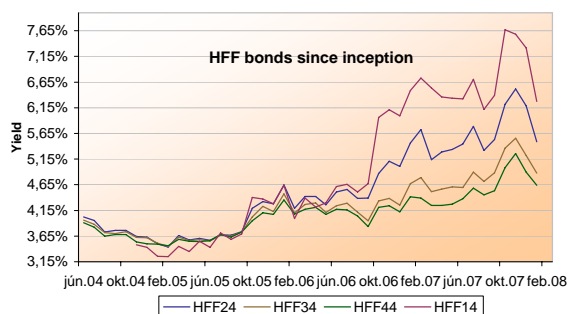
From now on, the CPI calculation method is based on price values during the midst of every month, while previously it was based on price values at the beginning of each month. Additionally, the Central Bank's forecasting value for measuring the CPI at the time of HFF - bond evaluations, will no longer take place. Instead, a linear bridging method will be used.

On January, 29, Statistics Iceland published the CPI based on price values during the midst of January. As a result, the CPI declined by 0.1% from the beginning of the month. Consequently, the yield of HFF bonds declined remotely.

In January, the number of registered sales contracts for housing came to 324, according to the Land Registry of Iceland, a decrease of 40% from the previous month's 540 contracts.

Sales contracts for housing in the Reykjavik area amounted to slightly more than ISK 309 billion in 2007, an increase of 53% from the previous year.

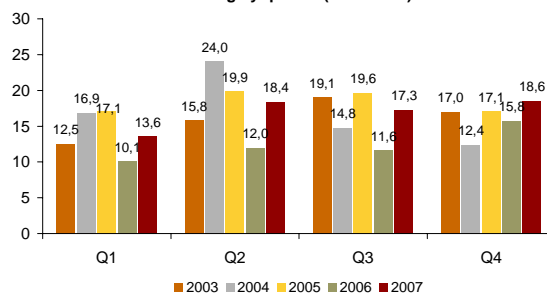
HFF's payments came to about ISK 1.560 billion of which payments on Housing Authority Bonds represented the largest amount.



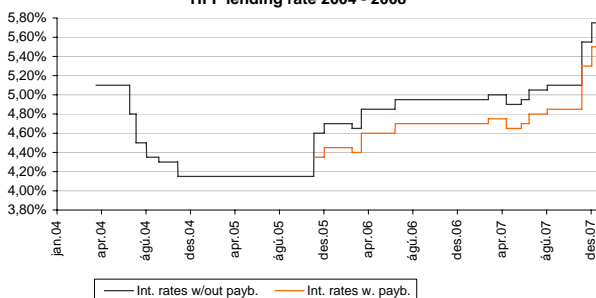
| Series | Nov. 2007 | Dec. 2007 | Jan. 2008 | Duration | Face value | Outst. F. value |
|--------|-----------|-----------|-----------|----------|------------|-----------------|
| HFF14 | 7,67% | 7,32% | 6,27% | 3,1 | 60,1 | 44,4 |
| HFF24 | 6,22% | 6,19% | 5,49% | 6,8 | 131,0 | 114,5 |
| HFF34 | 5,36% | 5,22% | 4,88% | 10,5 | 129,9 | 121,1 |
| HFF44 | 4,98% | 4,89% | 4,64% | 13,6 | 213,9 | 205,2 |

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

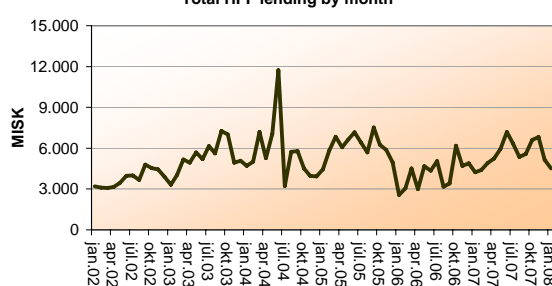
Total lending by quarter (ISK billion)



HFF lending rate 2004 - 2008



Total HFF lending by month



HFF Auctions, Lending and Payments

Actual Figures 2008

| | Forecast Q1 | Actual Q1 | Forecast 2008 | Actual Jan 2008 |
|-------------------|-------------|-----------|---------------|-----------------|
| MISK | | | | |
| HFF bond issuance | 11-13 | 0,0 | 49-57 | 0,0 |
| New HFF lending | 12-14 | 4,5 | 57-65 | 4,5 |
| HFF payments | 12-14 | 1,6 | 44-52 | 1,6 |

Forecast for 2008

| MISK | 1Q | 2Q | 3Q | 4Q | Total 2008 |
|-------------------|-------|-------|-------|-------|------------|
| HFF bond issuance | 11-13 | 14-16 | 12-14 | 12-14 | 49-57 |
| New HFF lending | 12-14 | 17-19 | 14-16 | 14-16 | 57-65 |
| HFF payments | 12-14 | 11-13 | 10-12 | 12-14 | 44-52 |

HFF bonds auctions

