

Market developments

The Housing Financing Fund (HFF) issued ISK 960 million in mortgages this month. Of that amount ISK 890 million was for privately owned homes. In comparison, this amount was ISK 1.1 billion in January 2012. The average amount for privately owned homes this month came to ISK 8.9 million.

Klettur Ltd., a rental property association, was established in order to manage a portion of the Fund's properties. As of January 1st 2013, Klettur assumed ownership and operation of 524 properties owned by HFF throughout the country. The majority of these properties are already occupied by tenants. The association will operate independently from the Fund, with a separate Board of Directors. Existing rental contracts will remain unchanged and transferred to Klettur. The founding of the rental association had two main goals: first, for HFF to divest of real estate and separate rental operations from its daily operations, and second, to increase supply of rental housing, as requested by the Authorities of Iceland.

Yields on HFF24, HFF34 and HFF44 declined 19 – 22 points in January, but HFF14 increased by 20 points.

The total turnover of HFF bonds reached ISK 37.2 billion this month, compared to ISK 23.3 billion in December 2012.

The Fund's amortization payments on HFF-bonds and other liabilities came to ISK 2.3 billion this month, and prepaid mortgages amounted to ISK 1.5 billion.

Defaults

At the end of January, defaults for privately owned homes had still declined. The default ratio has been steadily decreasing in the last 6 months of the year, after reaching a peak in July. This is positive progress and, hopefully, an indication of future development.

At the end of January, mortgage defaults associated with privately owned homes came to ISK 4.9 billion with an underlying value of ISK 88.5 billion, or approximately 13.4% of HFF's loan portfolio on privately owned homes. This is a 0.1% decrease from the previous month with an underlying default amount at the end of the month being 0.02% higher than in January 2012. Homes in default numbered 4,752, and thereof homes with suspended mortgage payments 610. This means that 9.2% of homes with HFF mortgages were in default at the end of this month, which is 0.2% less than at the end of 2012.

At the end of the month, defaults on mortgages to legal entities amounted to ISK 2.7 billion with an underlying value of ISK 32.8 billion. Hence, 22.2% of the loan portfolio to legal entities was in default at the end of January, an increase of 1.9% from the previous month but 1.4% less than at the end of January 2012.

Defaults or payment suspensions amounted to 14.99% of the Fund's portfolio, compared to 15.26% in January 2012.

Defaults are past due payments of 90 days and suspended mortgage payments.

Outstanding amount in the securities lending facility at the end of last month

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	1,9	0,2	2,1	0,8

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 1Q	Actual 1Q	Actual Jan 2013
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,0	1,0
HFF total payments	0	2,3	2,3

Forecast 2013	1Q	1Q	Total
HFF bond issuance (MV)			
HFF bond issuance (NV)			
New HFF lending			
HFF total payments			

HFF bond holders 31.1. '13	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	7,9%	2,4%	1,6%	1,2%
Individuals	4,9%	4,1%	1,7%	1,2%
Foreign Investors	31,3%	2,4%	2,0%	1,0%
Other Corporations	8,3%	3,9%	3,3%	0,6%
Credit Institutions	16,4%	6,2%	4,4%	3,3%
Pension Funds	5,0%	50,2%	68,1%	82,4%
Securities and Investment Funds	24,1%	24,9%	15,5%	8,4%
Others	2,1%	5,8%	3,5%	2,0%
Nominal Value	70,0	164,0	175,3	273,1

Of the total issuance of the face value, ISK 9.6 bn in all HFF bonds directly belong to the lending facilitation for HFF bond market makers. All figures are in ISK billion.

January 2013

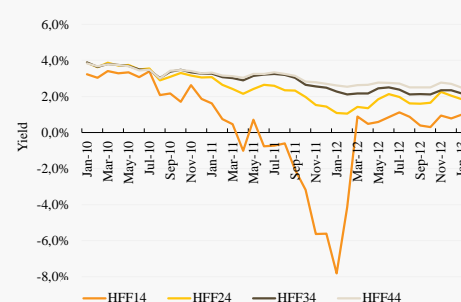
Summary

- New mortgages for privately owned homes amounted to ISK 890 million in January.
- Prepayments amounted to ISK 1.5 billion.
- Privately owned homes in default decreased from last month.
- 9.2% of homes are in default.
- Total amount in default is ISK 7.57billion, underlying loan amount equals 14.99% of loan portfolio.
- HFF's appropriated properties numbered 2.261

HFF Lending Rate

- 4,20% With a prepayment fee
- 4,70% Without a prepayment fee

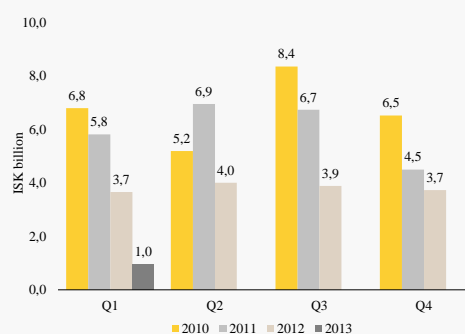
Yield of HFF Bonds



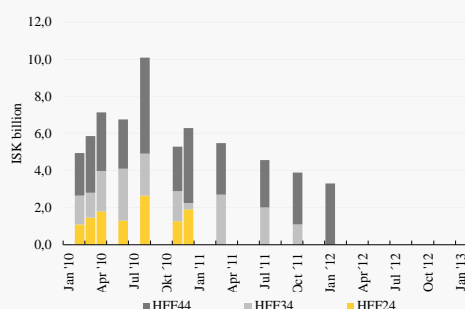
Series	Nov 2012	Dec 2012	Jan 2013	Duration	Face value	Outst.n.
HFF14	0,95%	0,79%	0,99%	0,9	70,0	16,2
HFF24	2,25%	2,04%	1,85%	5,3	164,0	108,7
HFF34	2,35%	2,35%	2,16%	9,9	175,3	143,5
HFF44	2,77%	2,71%	2,49%	13,9	273,1	243,4

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of January '13
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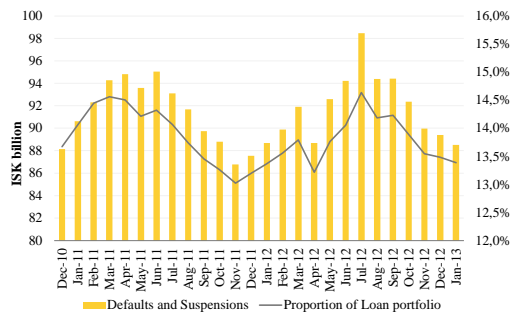
Total Lending by Quarter



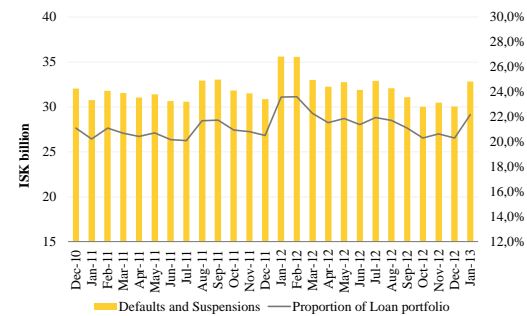
HFF Bond Auctions



Defaults and Suspensions of Individuals



Defaults and Suspensions of Legal Entities



HFF's Appropriated Property

Portfolio

At the end of January, HFF's appropriated properties throughout the country had increased by 33 since the end of 2012. Roughly half of these properties, or 1.155, previously belonged to construction builders, rental associations or other legal entities.

At the end of the month, 923 properties were being rented throughout the country. 321 were uninhabitable; most of them in the building process, hence, not available, and some uninhabitable due to old age and poor condition. 826 properties were in the process of being sold, either already for sale or in the registration process. The table on the right exhibits the location of properties according to regions in addition to present usage.

Most of the Fund's rental properties are being rented to families or individuals that occupied the properties when acquired by the Fund. The Fund is also authorized to rent out its properties in the general market in areas experiencing a shortage of rental properties. Available rental properties are advertised on the major real estate websites, in the „for rent“ category which is also the only place to submit applications. The allocation rules can be found on HFF's website. Rental rates are based upon current market rates at any given time, relative to location, size, age, etc.

All real estate agencies throughout the country are permitted to sell HFF's properties and a contract between the agencies and HFF states the process in which this should be done.

Out of HFF's 2.261 properties which the Fund owned by the end of the month, 1.812 have so far either been rented, or are in the process of being sold. Additionally, 449 properties await assessment. Many of them are located in regions where there is a significant supply of property, for rent or sale.

As of January 31st, 2013, HFF has sold 584 properties since the beginning of 2008.

HFF's Property According to Regions and Status, 31.1.2013

	Rented	Empty	Uninhabitable	In process	Total jan. '13	Total dec. '12
Capital Area	284	123	67	26	500	494
Southern Peninsula	263	337	135	13	748	743
Western Region	84	122	59	2	267	267
Westfjords	14	29	15	11	69	58
Northwestern Region	7	8	0	1	16	15
Northeastern Region	77	46	2	5	130	126
Eastern Region	75	139	12	3	229	224
Southern Region	119	150	31	2	302	301
Total	923	954	321	63	2.261	2.228
- Process of being sold	0	589	237	0	826	769
- Rented/other	923	0	0	63	986	961
Total unoccupied/ in process	0	365	84	0	449	498

Sold properties

