

Market developments

The Housing Financing Fund (HFF) issued ISK 844m in mortgages this month. Of that amount ISK 743m was for privately owned homes. In comparison, this amount was ISK 957m in March 2012. The average amount for privately owned homes this month came to ISK 8.9m.

On March 26th, the Housing Financing Fund (HFF) published its 2012 annual financial statements. The 2012 operating results were negative to the tune of ISK 7,856m, compared to ISK 986m in profit the year before. HFF's equity at year-end was ISK 14.7bn including an increase in share capital amounting to ISK 13bn, which will be paid to the Fund in the form of government bonds based on 1 January 2013. Equity amounted to ISK 9.55bn at year-end 2011. The Fund's equity ratio, calculated in accordance with the provisions of Regulation No. 544/2004 on the Housing Financing Fund, is 3.2% although that figure was 2.3% at the beginning of the year. The ratio is calculated in the same manner as the equity ratio of financial undertakings. The Fund's long-term goal is to keep the ratio above 5.0%, and discussions with the authorities are aimed at fulfilling the provisions of the Regulation. The Fund's net interest income amounted to ISK 2.5bn, compared to ISK 2.7bn in 2011. Other income increased by ISK 426.7m between years, the major part of which is rent income from apartments owned by the Fund. This income increased by ISK 429.5m between years. Contingencies recorded as impairment of loans in the Fund's books amounted to ISK 23.3bn at year-end 2012, increasing by ISK 1.5bn from the previous year. The increase in impairment characterizes the results of 2012 as increased impairment has a negative impact on the results of the Fund to the tune of ISK 8.8bn. The reasons for such increased impairment are traceable to the fact that the Fund's lending losses have proved higher than the previously defined contingencies anticipated for claims. In addition, collaterals have proved to be poorer than could be expected. Moreover, the rights of those who have taken advantage of public debt and payment difficulty solutions for struggling households have had to be reassessed. The number of households that have taken advantage of these solutions has increased. In addition, accounting principles mean that the value of appropriated assets owned by the Fund decrease in value from what was previously estimated and depart from what their fair value was expected to be.

Yields on all HFF bonds rose by 5-29 points this month.

The total turnover of HFF bonds reached ISK 47.9bn this month, compared to ISK 41.9bn in February 2013.

The Fund's amortization payments on HFF-bonds and other liabilities came to ISK 7.7bn this month, and prepaid mortgages amounted to ISK 1.3 bn.

Defaults

At the end of March, the default ratio for privately owned homes had still declined, for the ninth month in a row, after reaching a peak in July 2012. Suspended mortgages increased by 800m since last month but the inflation rate in March considerably increased the value of the Fund's loan portfolio.

At the end of March, mortgage defaults associated with privately owned homes came to ISK 4.3bn with an underlying value of ISK 88bn, or approximately 13.18% of HFF's loan portfolio on privately owned homes. This is a 0.2% decrease from the previous month with an underlying default amount at the end of the month being 0.61% lower than in March 2012. Homes in default numbered 4,700, and thereof homes with suspended mortgage payments 637. This means that 9.2% of homes with HFF mortgages were in default at the end of this month, which is 0.4% less than in March 2012.

At the end of the month, defaults on mortgages to legal entities amounted to ISK 2bn with an underlying value of ISK 33.9bn. Hence, 22.8% of the loan portfolio to legal entities was in default at the end of March, an increase of 0.4% from the previous month but 0.5% higher than at the end of March 2012.

Defaults or payment suspensions amounted to 14.93% of the Fund's portfolio, compared to 15.33% in March 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	0,0	0,9	0,9

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 1Q	Actual 1Q	Actual Jan-Feb 2013
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	2,9	2,9
HFF total payments	0	20,4	20,4

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

HFF bond holders 31.3. '13	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	5,8%	2,5%	1,8%	1,1%
Individuals	4,4%	3,6%	1,5%	1,1%
Foreign Investors	26,4%	2,0%	1,9%	0,8%
Other Corporations	8,5%	3,6%	3,2%	0,5%
Credit Institutions	20,1%	7,0%	5,0%	3,2%
Pension Funds	2,8%	51,5%	68,1%	83,8%
Securities and Investment Funds	28,3%	23,9%	15,8%	7,6%
Others	3,6%	5,9%	2,7%	1,9%
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.

March 2013

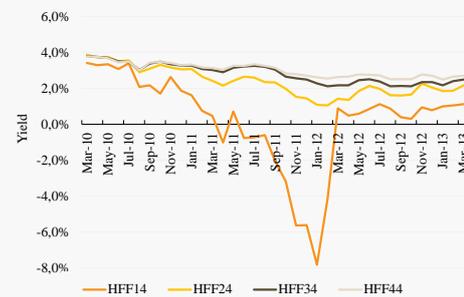
Summary

- New mortgages for privately owned homes amounted to ISK 743 million in March.
- Prepayments amounted to ISK 1.3 billion.
- Privately owned homes in default decreased from last month.
- 9.2% of homes are in default.
- Total amount in default is ISK 6.3 billion, underlying loan amount equals 14.93% of loan portfolio.
- HFF's appropriated properties numbered 2,377

HFF Lending Rate

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

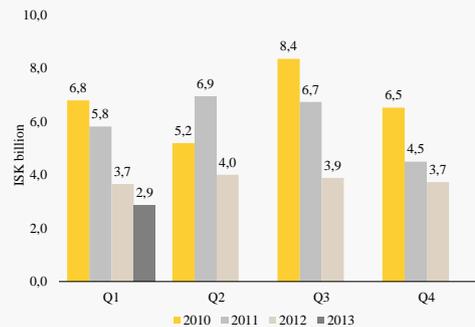
Yield of HFF Bonds



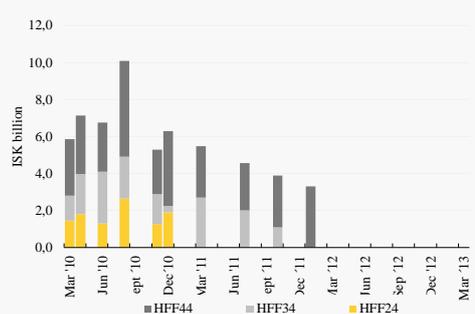
Series	Jan 2013	Feb 2013	Mar 2013	Duration	Face value	Outst.n.
HFF14	0,99%	1,04%	1,12%	1,0	70,0	12,2
HFF24	1,85%	1,87%	2,16%	5,4	164,0	104,9
HFF34	2,16%	2,40%	2,49%	9,6	175,3	143,5
HFF44	2,49%	2,64%	2,69%	13,5	273,1	243,4

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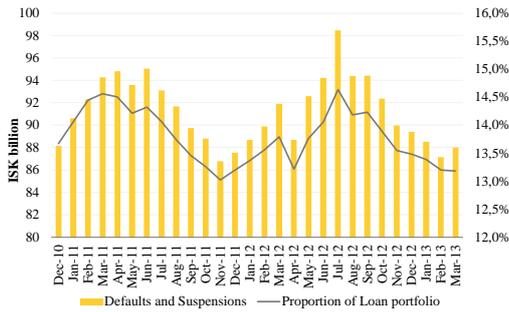
Total Lending by Quarter



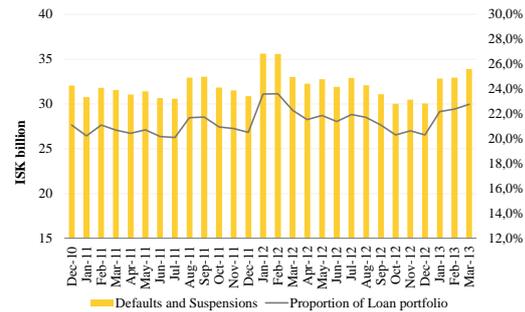
HFF Bond Auctions



Defaults and Suspensions of Individuals



Defaults and Suspensions of Legal Entities



HFF's Appropriated Property

Portfolio

At the end of March, HFF's appropriated properties throughout the country totaled 2.377, an increase of 96 since last month. Roughly half of these properties previously belonged to construction builders, rental associations or other legal entities.

A total of 981 properties were being rented throughout the country, 324 were uninhabitable; most of them in the building process, hence, not available, and some uninhabitable due to old age and poor condition. 879 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.

Since the beginning of the year, the Fund has sold 36 properties and 124 property bids have been accepted. The Fund sold 35 properties during the same time in 2012 and has sold a total of 611 since the beginning of 2008.

Most of the Fund's 981 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 2.377 properties which the Fund owned by the end of the month, 1.930 have so far either been rented, or are in the process of being sold. Additionally, 447 properties await assessment. Many of them are located in regions where there is a significant supply of property, for rent or sale.

HFF's Property According to Regions and Status, 31.3.2013

	Rented	Empty	Uninhabitable	In process	Total mar. '13	Total feb. '13
Capital Area	289	125	66	27	507	504
Southern Peninsula	270	364	142	16	792	757
Western Region	80	132	57	7	276	265
Westfjords	17	40	15	1	73	72
Northwestern Region	8	8	0	1	17	17
Northeastern Region	83	53	2	8	146	136
Eastern Region	104	130	12	4	250	228
Southern Region	130	150	30	6	316	302
Total	981	1.002	324	70	2.377	2.281
- Process of being sold	0	602	277	0	879	858
- Rented/other	981	0	0	70	1.051	997
Total unoccupied/ in process	0	400	47	0	447	426

Sold properties

