

Market news

Total lending by the Housing Financing Fund (HFF) in February 2014 amounted to ISK 769m, whereof ISK 565m were mortgages for privately owned homes. In comparison, in February 2013, these loans amounted to ISK 695m. The average amount of mortgages for privately owned homes was ISK 12.3m.

The yield of HFF24, HFF34 and HFF44 rose in February. The increase was 1–11 points. The yield of HFF14 declined by 33 points. The total turnover of HFF bonds amounted to ISK 26.6bn this month, compared to ISK 24.1bn in January 2014.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 10.6bn in February. Prepayments amounted to ISK 1.8bn.

Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears slightly increased from the previous month. By the end of February, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 66.4bn or approximately 10.36% of HFF's loan portfolio to privately owned homes, compared to 13.2% in February last year. There are 3,504 households currently in arrears, whereof 213 have had their loan payments deferred. A total of 7.15% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 9.23% in February 2013.

The amount of defaulted loans to legal entities was ISK 3.9bn with an underlying loan value of ISK 32.6bn. Thus 21.72% of the Fund's loans to legal entities are connected to defaults. Defaults or loans with deferred payments are a total of 12.53% of the Fund's loan portfolio. The corresponding percentage in February 2013 was 14.87%.

Defaults are considered to be loans in arrears for longer than 90 days and loans where payments have been deferred.

Outst. amount in the securities lending facility at the end of last month

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,3	0,6	2,2

HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 1Q	Actual 1Q	Actual Jan-Feb
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,3	1,3
HFF total payments	0	14,6	14,6

HFF bond holders 28.02.2014	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	21,5%	2,7%	0,7%	0,2%
Individuals	4,2%	2,7%	1,1%	0,8%
Foreign Investors	8,7%	1,5%	1,2%	0,0%
Other Corporations	12,6%	4,6%	3,3%	0,5%
Banks in liquidation	0,1%	0,0%	0,0%	0,0%
Credit Institutions	18,7%	6,1%	5,4%	2,7%
Pension Funds	4,9%	51,3%	70,5%	88,0%
Insurance Companies	6,9%	3,7%	1,6%	0,7%
Securities and Investm. Funds	22,0%	25,3%	15,6%	6,4%
Others	0,6%	2,2%	0,6%	0,5%
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.

February 2014

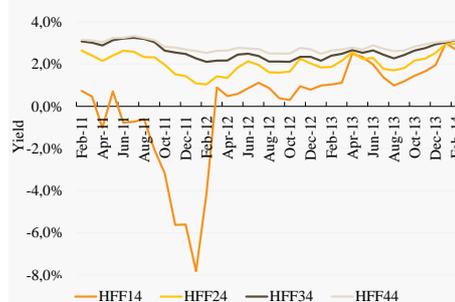
Summary

- New mortgages for privately owned homes amounted to ISK 565 million
- Prepayments amounted to ISK 1.8 billion
- Privately owned homes in arrears increased slightly from last month
- 7.15% of homes are in arrears
- Total amount in default is ISK 8.3 billion, underlying loan amount equals 12.53% of loan portfolio
- HFF's appropriated properties numbered 2,111, whereof 881 apartment is rented

HFF Lending Rate

4.20% fixed rate

Yield of HFF Bonds



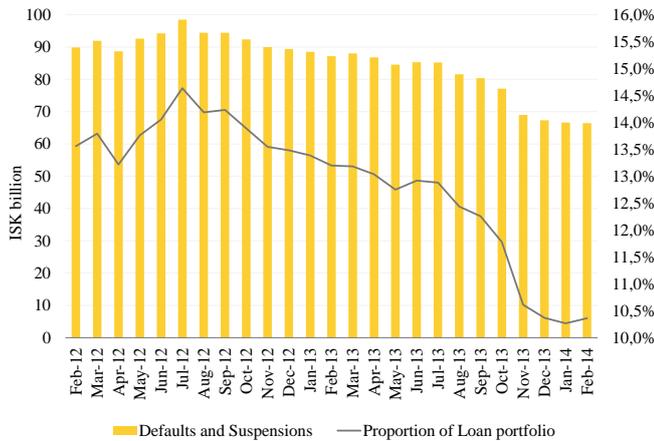
Series	Dec 2013	Jan 2014	Feb 2014	Duration	Face value	Outst.n. value
HFF14	1,95%	3,00%	2,67%	0,3	70,0	8,2
HFF24	2,53%	2,96%	2,97%	5,0	164,0	97,0
HFF34	2,94%	3,04%	3,14%	9,1	175,3	139,1
HFF44	3,04%	3,08%	3,16%	12,9	273,1	239,3

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of February '14
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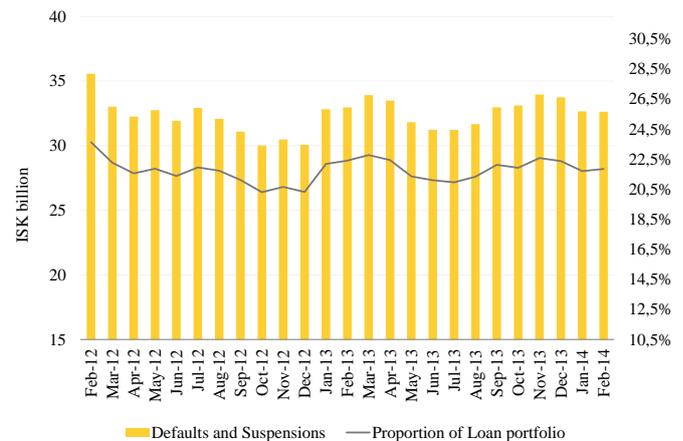
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 2,111 appropriated assets throughout Iceland by the end of February. This number decreased by six from the end of January. A number of 89 appropriated assets have been added to the HFF's portfolio since the beginning of the year.

In January and February the HFF sold 584 properties. As opposed to 22 properties in January 2013. In addition, purchase offers for 123 properties have been accepted and bidders are currently engaged in financing the purchases. The HFF has sold 1,466 properties since the beginning of 2008, thereof 517 were sold to Klettur last month.

Undergoing the sales process were 1,017 properties, most of which are already available for purchase others are going through sales registration. A number of 881 apartment were rented throughout the country. The vast majority were rented to families and individuals who resided in the properties when the HFF acquired them.

All estate agencies in Iceland may sell the HFF's properties. The HFF has a partnership agreement with the Association of Estate Agents (Félag fasteignasala) as regards the procedures that must be employed when selling properties owned by the Fund. The Fund's properties are rented at market price, taking into account comparable properties according to location, size, age, etc. The vast majority were rented to families and individuals who resided in the properties when the HFF acquired them.

The table to the right contains an overview of the location of properties, categorized according to regions and their use/disposal. Of the 2,111 properties that the HFF owned at the end of February 2014, 1,953 properties have been rented or are undergoing the sales process or other procedures. A further 158 properties await assessment, most of which will go into sales process.

HFF's Property According to Regions and Status, 28.02.2014

	For sale	Rented	Empty	Uninhabitable	In process	Total Feb'14	Total Jan'14
Capital Area	99	283	10	2	10	404	415
Sth. Peninsula	399	300	81	7	18	805	804
Western Region	152	63	20		14	249	237
Westfjords	50	9	9		0	68	70
Northw. Region	10	6	1		1	18	19
Northe. Region	51	45	4		6	106	101
Eastern Region	86	73	12		2	173	178
Southern Region	170	102	9	3	4	288	293
Total	1.017	881	146	12	55	2.111	2.117

Sold properties

