

Market news

Total lending by the Housing Financing Fund (HFF) in January 2014 amounted to ISK 506m, whereof ISK 489m were mortgages for privately owned homes. In comparison, in January 2013, these loans amounted to ISK 854m. The average amount of mortgages for privately owned homes was ISK 9.2m.

A change was made to the HFF's board of directors in January where the Minister of Social Affairs and Housing appointed Drífa Snædal to the board replacing Stefán Ólafsson.

The yield of all classes of HFF bonds rose in January. The increase was 4–105 points. The yield of HFF14 rose by 1.05%, that of HFF24 by 0.43%, that of HFF34 by 0.10 and HFF44 by 0.04%. The total turnover of HFF bonds amounted to ISK 24bn this month, compared to ISK 27bn in December 2013. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 3.9bn in January. Prepayments amounted to ISK 1.5bn.

Development of defaulted loans

The number of households in arrears continued to fall in January. Since last December, their number has decreased by nearly 2.5%, or 83 homes. The proportion of the underlying loan value of individuals in arrears has also continued to fall. By the end of January, the amount of defaulted loans to individuals amounted to ISK 4.3bn, with the underlying loan value amounting to ISK 66.6bn or approximately 10.27% of HFF's loan portfolio to privately owned homes, compared to 13.39% at the end of last year. There are 3,460 households currently in arrears, whereof 238 have had their loan payments deferred. A total of 7.05% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 9.29% at the end of 2013. The amount of defaulted loans to legal entities was ISK 3.7bn with an underlying loan value of ISK 32.7bn. Thus 21.71% of the Fund's loans to legal entities are connected to defaults, which is a 0.67% decrease from the previous month. Defaults or loans with deferred payments are a total of 12.42% of the Fund's loan portfolio. The corresponding percentage in January 2013 was 14.99%.

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	0,4	1,1

HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 1Q	Actual 1Q	Actual Jan
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,9	0,9
HFF total payments	0	3,9	3,9

HFF bond holders 31.12.2013	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	15,5%	2,3%	0,3%	0,2%
Individuals	4,3%	2,8%	1,2%	0,9%
Foreign Investors	9,5%	1,6%	1,7%	0,4%
Other Corporations	13,1%	4,6%	3,3%	0,5%
Banks in liquidation	0,1%	0,0%	0,0%	0,0%
Credit Institutions	18,5%	5,9%	5,3%	3,1%
Pension Funds	4,8%	50,7%	69,6%	86,8%
Insurance Companies	5,1%	3,7%	1,8%	0,8%
Securities and Investm. Funds	28,0%	26,1%	16,1%	6,7%
Others	0,9%	2,1%	0,6%	0,6%
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 2014

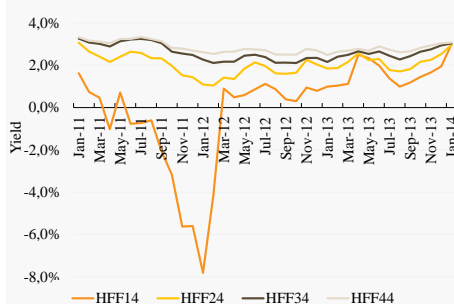
Summary

- New mortgages for privately owned homes amounted to ISK 489 million
- Prepayments amounted to ISK 1.5 billion
- Privately owned homes in arrears decreased from last month
- 7.05% of homes are in default
- Total amount in default is ISK 8.0 billion, underlying loan amount equals 12.42% of loan portfolio
- HFF's appropriated properties numbered 2,117, whereof 871 apartment is rented

HFF Lending Rate

4.20% fixed rate

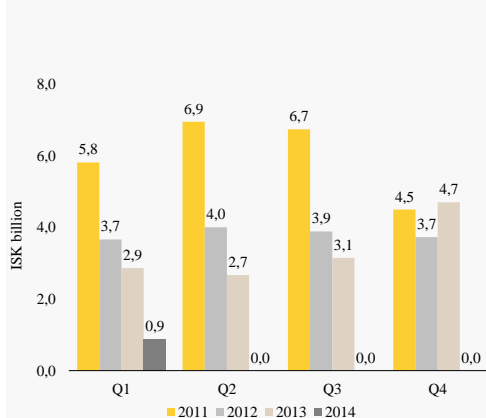
Yield of HFF Bonds



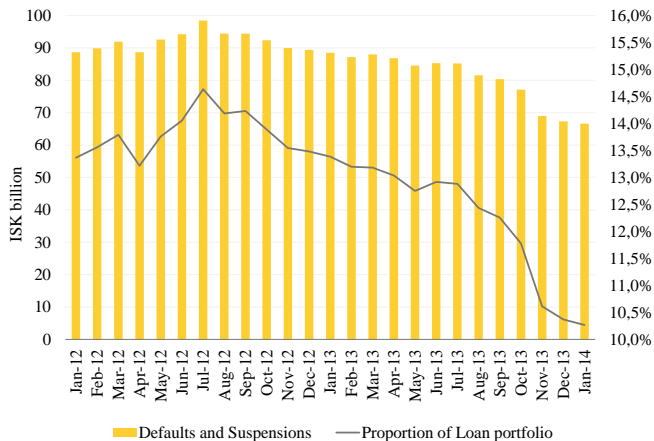
Series	Nov 2013	Dec 2013	Jan 2014	Duration	Face value	Outst.n. value
HFF14	1,66%	1,95%	3,00%	0,4	70,0	8,2
HFF24	2,26%	2,53%	2,96%	4,8	164,0	101,0
HFF34	2,76%	2,94%	3,04%	9,2	175,3	139,1
HFF44	2,94%	3,04%	3,08%	13,1	273,1	239,3

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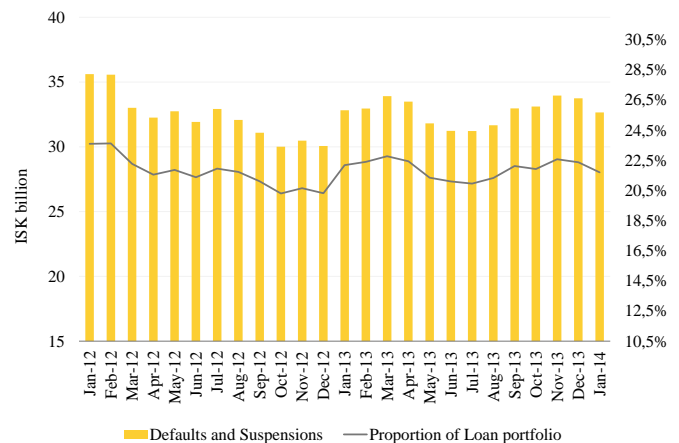
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF has currently sold 517 apartments, located throughout Iceland, to their subsidiary Klettur Ltd. Klettur is a rental company which main objective is to offer suitable residential rental housing with the intention of supporting long-term housing security.

Apart from the rental company's properties, the HFF owned 2,117 appropriated assets by the end of January. Of this number, 871 apartments were rented (1,388 if the rental company's apartments are included). The vast majority were rented to families and individuals who resided in the properties when the HFF acquired them.

In January the HFF sold 27 properties, as well as the 517 already mentioned. As opposed to 9 properties in January 2013. Thus sales have tripled between years. In addition, purchase offers for 81 properties have been accepted. The HFF has sold 909 properties since the beginning of 2008, excluding the 517 sold to Klettur. Undergoing the sales process were 976 properties.

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 table to the right contains an overview of the location of properties, categorized according to regions and their use/disposal. Of the 2,117 properties that the HFF owned at the end of January 2014, 1,900 properties have been rented or are undergoing the sales process or other procedures. A further 197 properties await assessment, most of which will go into sales process. As many as 146 auction deeds and certificates of title await processing by the District Commissioner. This has caused delays in the sales of the properties as these documents are essential for carrying out the sales procedure.

HFF's Property According to Regions and Status, 31.01.2014

	For sale	Rented	Empty	Uninhabitable	In process	Total Jan'14	Total Dec'13
Capital Area	104	278	20	2	11	415	593
Sth. Peninsula	371	294	102	12	25	804	881
Western Region	131	64	37	2	3	237	285
Westfjords	52	9	7	0	2	70	73
Northw. Region	11	7	0	0	1	19	18
Northe. Region	50	43	3	0	5	101	155
Eastern Region	89	74	13	0	2	178	232
Southern Region	168	102	15	4	4	293	369
Total	976	871	197	20	53	2.117	2.606

Sold properties

