

Market news

Total lending by the Housing Financing Fund (HFF) in January 2015 amounted to ISK 547m, thereof were 423m in mortgages for privately owned homes. In comparison, in January 2014, these loans amounted to ISK 489m. The average amount of mortgages for privately owned homes was ISK 13,7m.

The yield of class HFF24 bonds decreased in January by 5 points. The yield of class HFF34 increased by 4 points and HFF44 by 5 points. The total turnover of HFF bonds amounted to ISK 17.6bn this month, compared to ISK 12.9bn in December 2014.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 2,9bn in December. Prepayments amounted to ISK 1.9bn compared to 2.1bn in December.

Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of January, the amount of defaulted loans to individuals amounted to ISK 4.1bn, with the underlying loan value amounting to ISK 43,5bn or approximately 7.38% of HFF's loan portfolio to privately owned homes, compared to 10.3% in January last year. There are 2,310 households currently in arrears, whereof 100 have had their loan payments deferred. A total of 4.97% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 5.49% in January 2014.

The amount of loans in default to legal entities was ISK 3.8bn with an underlying loan value of ISK 26bn. Thus 17.92% of the Fund's loans to legal entities are connected to defaults.

Defaults or loans with deferred payments are a total of 9.5% of the Fund's loan portfolio. The corresponding percentage in January 2014 was 12.42%.

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 Dec.

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,6	0,3	0,8

HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 1Q	Actual 1Q	Actual Jan '15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,5	0,5
HFF total payments	0	2,9	2,9

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	2,1%	1,7%	0,0%
Individuals	3,1%	1,1%	0,7%
Foreign Investors	1,2%	1,0%	1,0%
Other Corporations	4,9%	1,2%	0,7%
Credit Institutions	6,5%	5,3%	3,2%
Pension Funds	58,1%	74,5%	88,3%
Insurance Companies	3,6%	1,4%	0,7%
Securities and Investm. Funds	18,3%	13,2%	4,8%
Others	2,1%	0,6%	0,6%
Nominal Value	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 2015

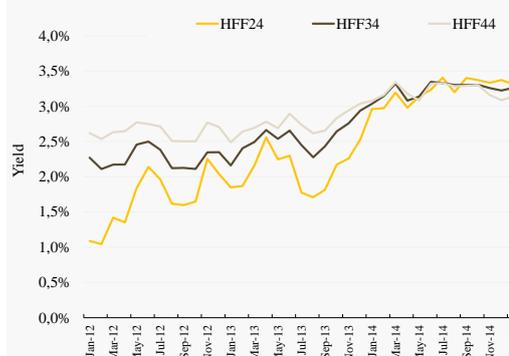
Summary

- New mortgages for privately owned homes amounted to ISK 423 million
- Prepayments amounted to ISK 1.9 billion
- Privately owned homes in arrears decreased from last month
- 4.97% of homes are in arrears
- Total amount in default is ISK 7.9billion, underlying loan amount equals 9.5% of loan portfolio
- HFF's appropriated properties numbered 1,873 whereof 872 apartments are rented

HFF Lending Rate

4.20% fixed rate

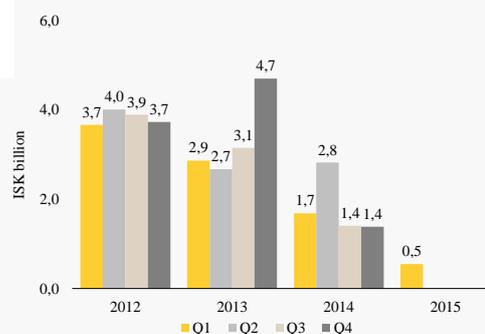
Yield of HFF Bonds



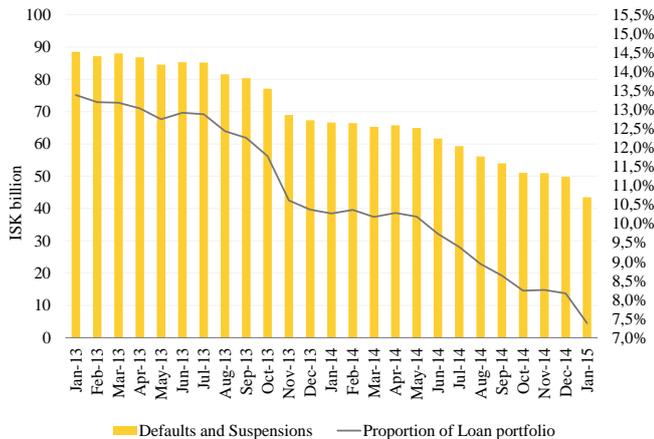
Series	Nov 2014	Dec 2014	Jan 2015	Duration	Face value	Outst.n. value
HFF24	3,33%	3,37%	3,31%	4,4	164,0	93,0
HFF34	3,26%	3,22%	3,26%	8,8	175,3	136,8
HFF44	3,16%	3,09%	3,14%	12,7	273,1	237,1

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of January '15
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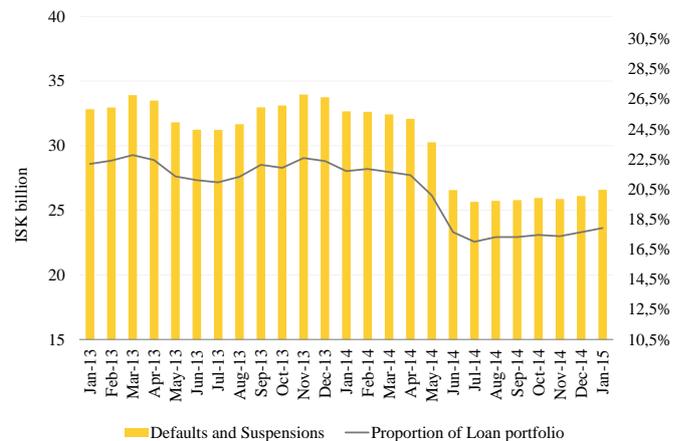
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,873 appropriated assets throughout Iceland by the end of January 2015 which is a decrease in assets of 18 from last month. Over the month the fund sold 26 properties and 8 appropriated assets were added to the HFF's portfolio.

In addition, bids for 42 properties have been accepted and bidders are currently engaged in financing. Undergoing the sales process were 913 properties, most of which are already available for purchase with others are going through sales registration.

A number of 872 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. Approximately 75% of new appropriated assets will be rented out in the same manner.

All real 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 to 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 1,873 properties that the HFF owned at the end of January, 1,803 properties have been rented or are undergoing the sales process or other procedures. A further 70 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.01.2015

	For sale	Rented	Empty	Uninhabit- able	In process	Total Jan'15	Total Des'14
Capital Area	80	244	4		8	336	341
Sth. Peninsula	412	340	17		2	771	780
Western Region	109	69	19		3	200	201
Westfjords	33	8	4		2	47	49
Northw. Region	15	2	2			19	19
Northe. Region	46	44			1	91	90
Eastern Region	89	84	20			193	193
Southern Region	129	81	2	2	2	216	218
Total	913	872	68	2	18	1,873	1,891

Sold properties

