

Market news

Total lending by the Housing Financing Fund (HFF) in March 2015 amounted to ISK 766m, thereof was 321m mortgages for privately owned homes. In comparison, in March 2014, these loans amounted to ISK 406m. The average amount of mortgages for privately owned homes was ISK 12,3m.

The yield of class HFF24 bonds decreased in March by 45 points. The yield of class HFF34 decreased by 87 points and HFF44 by 128 points. The total turnover of HFF bonds amounted to ISK 17.1bn this month, compared to ISK 22.5bn in February 2015. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 505m in March. Prepayments amounted to ISK 2.6bn compared to 1.9bn in February.

Financial statement HFF 2014

The 2014 annual financial statements of the Housing Financing Fund (HFF) were approved on March 26th by the Fund's Board of Directors. Results from the year's operations were positive, amounting to ISK 3,241 million compared to ISK 4,353 million loss in the previous year. The Fund's equity at year-end amounted to ISK 18.1 billion, compared to ISK 14.8 billion at year-end 2013. The Fund's equity ratio is 4.5% compared to 3.4% in the beginning of the year. The equity ratio is calculated in the same manner as the equity ratio of financial institutions. The long term objective of the Fund is to maintain a ratio of 5.0%.

Development of loans in arrears

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of March, the amount of loans in arrears to individuals amounted to ISK 3.9bn, with the underlying loan value amounting to ISK 37bn or approximately 6,51% of HFF's loan portfolio to privately owned homes, compared to 10.18% in March last year. There are 2,090 households currently in arrears, whereof 137 have had their loan payments deferred. A total of 4.52% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 4.79% in February 2015.

The amount of loans in arrears to legal entities was ISK 3.9bn with an underlying loan value of ISK 24bn. Thus 16.44% of the Fund's loans to legal entities are connected to loan in arrears. Arrear loans or loans with deferred payments are a total of 8.54% of the Fund's loan portfolio. The corresponding percentage in March 2014 was 10.18%. *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 March

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,5	0,7	1,9

HFF Auctions, Lending and Payments

Actual figures 2015	Forecast 1Q	Actual 1Q	Actual Mar '15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,6	1,6
HFF total payments	0	14,1	0,5

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	1,0%	0,4%	0,2%
Individuals	3,5%	1,1%	0,7%
Foreign Investors	1,3%	1,0%	1,0%
Other Corporations	5,1%	1,2%	0,7%
Credit Institutions	5,7%	5,1%	2,8%
Pension Funds	58,9%	75,0%	88,2%
Insurance Companies	3,8%	1,5%	0,7%
Securities and Investm. Funds	18,7%	14,1%	5,1%
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.

March 2015

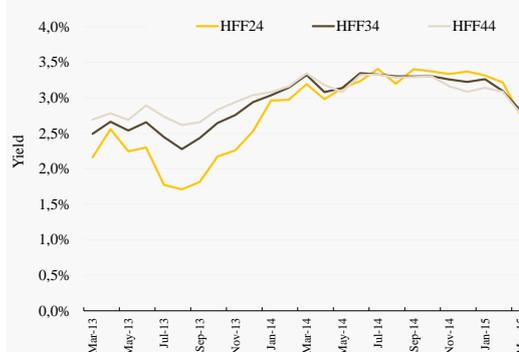
Summary

- New mortgages for privately owned homes amounted to ISK 321 million
- Prepayments amounted to ISK 2.6 billion
- Privately owned homes in arrears decreased from last month
- 4.52% of homes are in arrears
- Total amount of loans in arrears is ISK 7.6billion, underlying loan amount equals 8.54% of loan portfolio
- HFF's appropriated properties numbered 1,784 whereof 827 apartments are rented

HFF Lending Rate

4.20% fixed rate

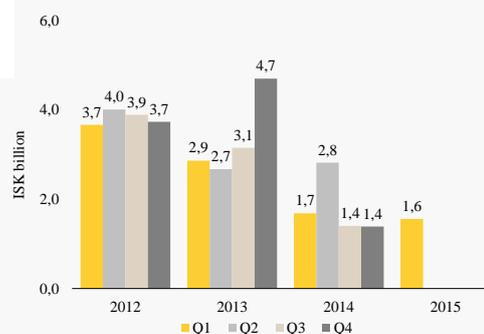
Yield of HFF Bonds



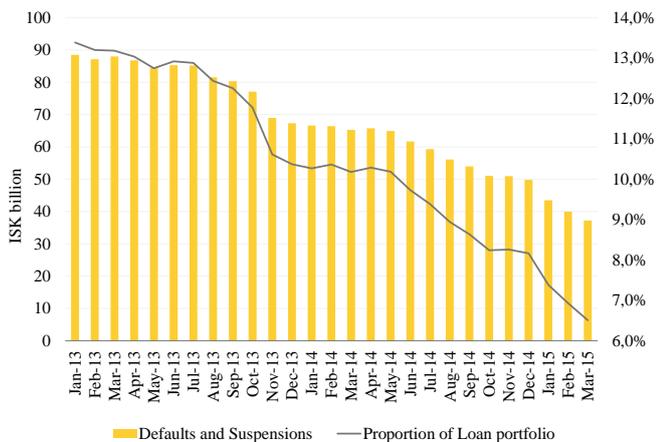
Series	Jan 2015	Feb 2015	Mar 2015	Duration	Face value	Outst.n. value
HFF24	3,31%	3,22%	2,75%	4,5	164,0	93,0
HFF34	3,26%	3,10%	2,82%	8,7	175,3	136,8
HFF44	3,14%	3,08%	2,78%	12,8	273,1	237,1

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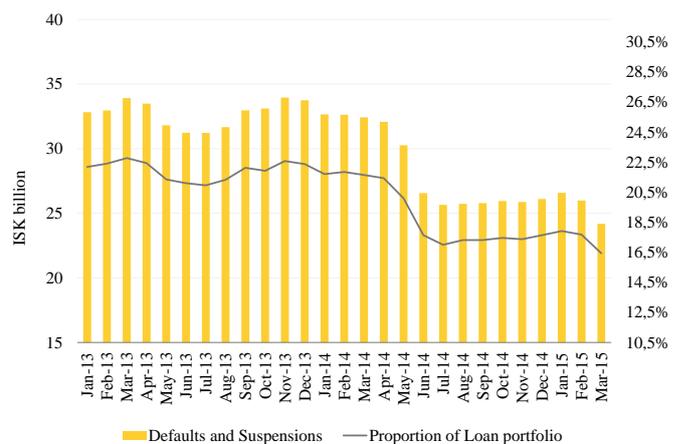
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1.784 appropriated assets throughout Iceland by the end of March 2015 which is a decrease in assets of 4 from last month. Over the month the fund sold 68 properties and 64 appropriated assets were added to the HFF's portfolio. 84 appropriated assets have been added in 2015 and 190 appropriated assets have been sold.

In addition, bids for 73 properties have been accepted and bidders are currently engaged in financing.

Undergoing the sales process were 890 properties, most of which are already available for purchase with others are going through sales registration.

A total number of 827 apartments 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 1,784 properties that the HFF owned at the end of March, 1,733 properties have been rented or are undergoing the sales process or other procedures. A further 51 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.03.2015

	For sale	Rented	Empty	Uninhabitable	In process	Total Mar'15	Total Feb'15
Capital Area	74	234	5		7	320	330
Sth. Peninsula	402	271	5		2	680	693
Western Region	104	73	15		3	195	200
Westfjords	33	8	5		1	47	49
Northw. Region	15	2	1			18	18
Northe. Region	37	37			0	75	91
Eastern Region	103	121	13			238	192
Southern Region	122	81	6	0	2	211	215
Total	890	827	51	0	16	1.784	1.788

Sold properties

