

Market developments

The Housing Financing Fund (HFF) issued ISK 1.058 billion in mortgages this month. Of that amount ISK 755 million was for privately owned homes. In comparison, this amount was ISK 896 million in February 2012. The average amount for privately owned homes this month came to ISK 8.9 million.

On February 20th, Moody's lowered HFF's credit rating to Ba1 from Baa3 and the outlook from negative to stable.

Yields on all HFF bonds rose by 5-24 points this month.

The total turnover of HFF bonds reached ISK 41.9 billion this month, compared to ISK 37.2 billion in January 2013.

The Fund's amortization payments on HFF-bonds and other liabilities came to ISK 10.3 billion this month, and prepaid mortgages amounted to ISK 1.8 billion.

Defaults

At the end of February, the default ratio for privately owned homes had still declined, for the eight month in a row, after reaching a peak in July 2012.

At the end of February, mortgage defaults associated with privately owned homes came to ISK 4.7 billion with an underlying value of ISK 87.2 billion, or approximately 13.2% 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 0.36% lower than in February 2012. Homes in default numbered 4,703, and thereof homes with suspended mortgage payments 606. This means that 9.2% of homes with HFF mortgages were in default at the end of this month, which is 2.6% less than in February 2012 (was 11.8% in February 2012).

At the end of the month, defaults on mortgages to legal entities amounted to ISK 2.8 billion with an underlying value of ISK 32.9 billion. Hence, 22.4% of the loan portfolio to legal entities was in default at the end of January, an increase of 0.2% from the previous month but 1.2% less than at the end of February 2012.

Defaults or payment suspensions amounted to 14.87% of the Fund's portfolio, compared to 15.42% in February 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)	2,4	0,0	1,4	1,2

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 1Q	Actual 1Q	Actual Feb 2013
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	2,0	2,0
HFF total payments	0	12,6	12,6

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

HFF bond holders 28.2. '13	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	7,8%	2,4%	1,5%	1,0%
Individuals	4,9%	3,8%	1,6%	1,2%
Foreign Investors	31,3%	2,2%	1,9%	0,9%
Other Corporations	8,3%	3,9%	3,3%	0,6%
Credit Institutions	16,4%	6,7%	4,7%	3,2%
Pension Funds	4,9%	50,7%	68,3%	83,3%
Securities and Investment Funds	24,3%	24,4%	15,7%	7,9%
Others	2,1%	5,9%	3,0%	2,0%
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 2013

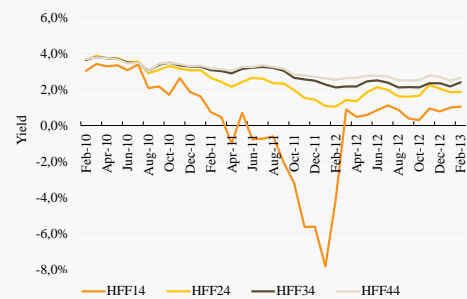
Summary

- New mortgages for privately owned homes amounted to ISK 755 million in January.
- Prepayments amounted to ISK 1.8 billion.
- Privately owned homes in default decreased from last month.
- 9.2% of homes are in default.
- Total amount in default is ISK 7.6 billion, underlying loan amount equals 14.87% of loan portfolio.
- HFF's appropriated properties numbered 2.281

HFF Lending Rate

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

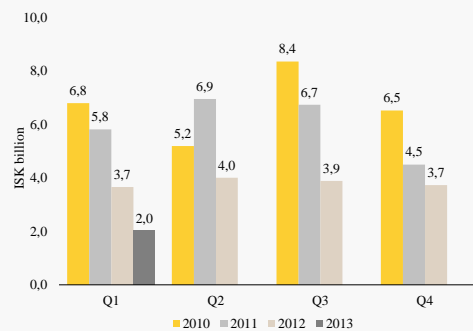
Yield of HFF Bonds



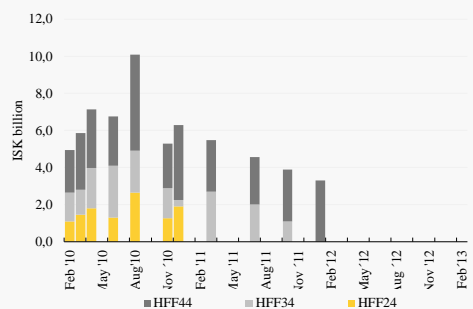
Series	Dec 2012	Jan 2013	Feb 2013	Duration	Face value	Outst.n. value
HFF14	0,79%	0,99%	1,04%	0,8	70,0	16,2
HFF24	2,04%	1,85%	1,87%	5,5	164,0	104,9
HFF34	2,35%	2,16%	2,40%	9,7	175,3	143,5
HFF44	2,71%	2,49%	2,64%	13,7	273,1	243,4

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of February '13
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.

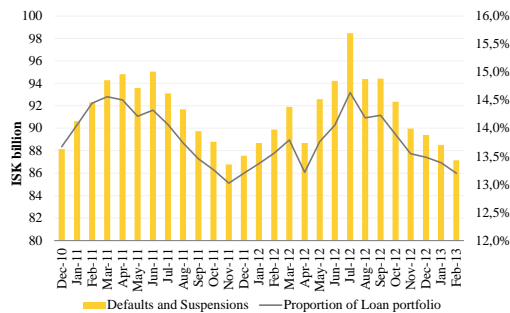
Total Lending by Quarter



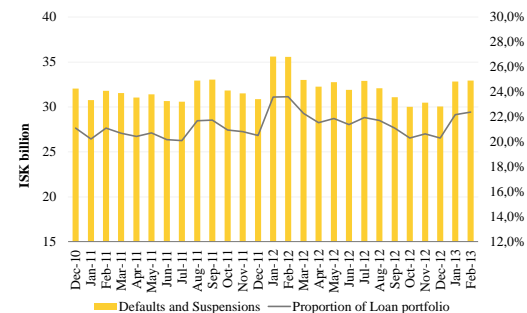
HFF Bond Auctions



Defaults and Suspensions of Individuals



Defaults and Suspensions of Legal Entities



HFF's Appropriated Property

Portfolio

At the end of February, HFF's appropriated properties throughout the country had increased by 20 since the end of January and totaled 2.281. Roughly half of these properties, or 1.157, previously belonged to construction builders, rental associations or other legal entities. The Fund sold 13 properties this month, and accepted bids for another 119.

At the end of the month, 938 properties were being rented throughout the country. 318 were uninhabitable; most of them in the building process, hence, not available, and some uninhabitable due to old age and poor condition. 859 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.

Most of the Fund's 938 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 2.281 properties which the Fund owned by the end of the month, 1.855 have so far either been rented, or are in the process of being sold. Additionally, 426 properties await assessment. Many of them are located in regions where there is a significant supply of property, for rent or sale.

At the end of February, HFF has sold 597 properties since the beginning of 2008.

HFF's Property According to Regions and Status, 28.2.2013

	Rented	Empty	Uninhabitable	In process	Total feb. '13	Total jan. '13
Capital Area	286	125	66	27	504	500
Southern Peninsula	260	348	135	14	757	748
Western Region	84	122	58	1	265	267
Westfjords	19	34	15	4	72	69
Northwestern Region	8	8	0	1	17	16
Northeastern Region	78	51	2	5	136	130
Eastern Region	82	131	12	3	228	229
Southern Region	121	147	30	4	302	302
Total	938	966	318	59	2.281	2.261
- Process of being sold	0	589	269	0	858	826
- Rented/other	938	0	0	59	997	986
Total unoccupied/ in process	0	377	49	0	426	449

Sold properties

