

Market news

Total lending by the Housing Financing Fund (HFF) in March 2014 amounted to ISK 406m, all of which were mortgages for privately owned homes. In comparison, in March 2013, these loans amounted to ISK 743m. The average amount of mortgages for privately owned homes was ISK 10.4m.

The yield of all classes of HFF bonds rose in March. The increase was 18–26 points. The yield of HFF14 rose by 0.26%, that of HFF24 by 0.22%, that of HFF34 and HFF44 by 0.18%. The total turnover of HFF bonds amounted to ISK 21.2bn this month, compared to ISK 26.6bn in February 2014.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 7.9bn in March. Prepayments amounted to ISK 2.4bn compared to 1.8bn in February. This increase between months is first and foremost attributable to prepayments made by legal entities.

Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of March, the amount of defaulted loans to individuals amounted to ISK 4.3bn, with the underlying loan value amounting to ISK 65.3bn or approximately 10.19% of HFF's loan portfolio to privately owned homes, compared to 13.18% in March last year. There are 3,460 households currently in arrears, whereof 229 have had their loan payments deferred. A total of 7.11% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 9.20% in March 2013.

The amount of defaulted loans to legal entities was ISK 3.9bn with an underlying loan value of ISK 32.4bn. Thus 21.65% of the Fund's loans to legal entities are connected to defaults. Defaults or loans with deferred payments are a total of 12.36% of the Fund's loan portfolio. The corresponding percentage in March 2013 was 14.93%.

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	0,1	0,3	1,9

HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 1Q	Actual 1Q	Actual Jan-Mar
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,7	1,7
HFF total payments	0	22,4	22,4

HFF bond holders 31.03.2014	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	21,7%	3,4%	0,7%	0,3%
Individuals	4,2%	2,6%	1,0%	0,8%
Foreign Investors	8,7%	1,5%	1,2%	0,0%
Other Corporations	16,0%	4,6%	3,2%	0,5%
Credit Institutions	17,6%	6,6%	5,7%	2,9%
Pension Funds	4,9%	50,9%	70,5%	88,4%
Insurance Companies	3,4%	3,7%	1,6%	0,6%
Securities and Investm. Funds	22,9%	24,6%	15,5%	5,9%
Others	0,7%	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.

March 2014

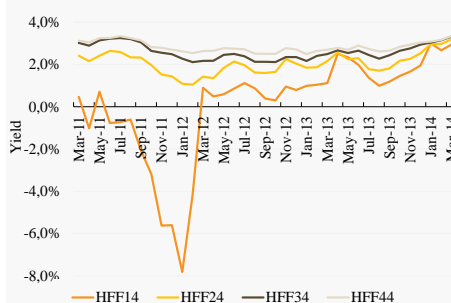
Summary

- New mortgages for privately owned homes amounted to ISK 406 million
- Prepayments amounted to ISK 2.4 billion
- Privately owned homes in arrears decreased from last month
- 7.11% of homes are in arrears
- Total amount in default is ISK 8.2 billion, underlying loan amount equals 12.36% of loan portfolio
- HFF's appropriated properties numbered 2,121, whereof 919 apartment is rented

HFF Lending Rate

4.20% fixed rate

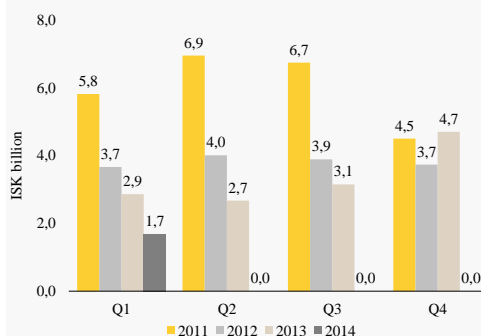
Yield of HFF Bonds



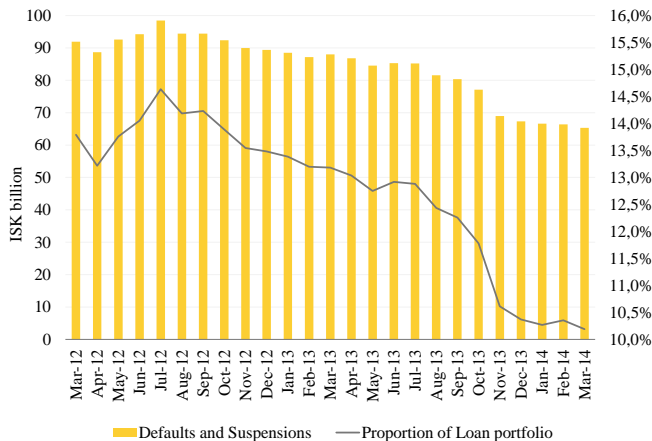
Series	Jan 2014	Feb 2014	March 2014	Duration	Face value	Outst.n. value
HFF14	3,00%	2,67%	2,94%	0,5	70,0	4,2
HFF24	2,96%	2,97%	3,19%	4,9	164,0	97,0
HFF34	3,04%	3,14%	3,32%	8,9	175,3	139,1
HFF44	3,08%	3,16%	3,34%	12,7	273,1	239,3

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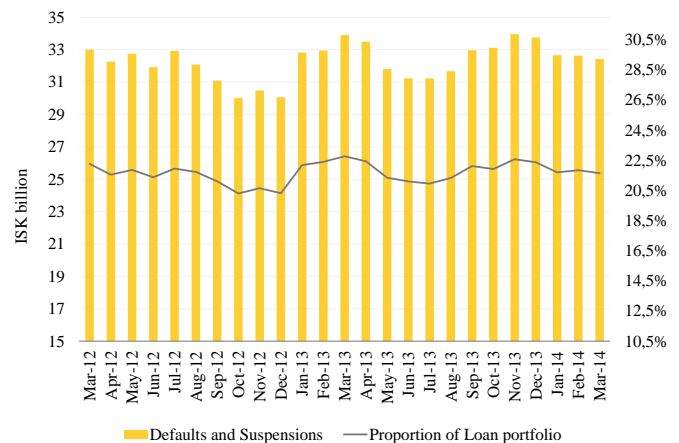
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 2,121 appropriated assets throughout Iceland by the end of March. This number increased by ten from the end of February. In March a number of 47 appropriated assets were added to the HFF's portfolio, overall 139 appropriated assets have been added since the beginning of the year.

In the first quarter the HFF sold 629 properties. As opposed to 36 properties for the same period in 2013. In addition, purchase offers for 93 properties have been accepted and bidders are currently engaged in financing the purchases. The HFF has sold 1,506 properties since the beginning of 2008, thereof 517 were sold to the rental company Klettur.

Undergoing the sales process were 1,028 properties, most of which are already available for purchase others are going through sales registration. A number of 919 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. Most of the recently added appropriated assets will be rented out in the same manner.

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 2,121 properties that the HFF owned at the end of March 2014, 2,001 properties have been rented or are undergoing the sales process or other procedures. A further 120 properties await assessment, most of which will go into sales process.

2013 Financial Statements

The 2013 annual financial statements of the Housing Financing Fund (HFF) were approved by the Fund's Board of Directors on 31 March. The 2013 operating results were negative to the tune of ISK 4.354m compared to ISK 7.856m in losses the year before. HFF's equity at year-end was ISK 14.8bn, having taken into account the increase in share capital amounting to ISK 4.5bn which will be paid to the Fund in the form of bonds based on 1 January 2014, in accordance with the 2013 supplementary budget. Equity amounted to ISK 14.7bn at year-end 2012. The Fund's equity ratio, calculated in accordance with the provisions of Regulation No. 544/2004 on the Housing Financing Fund, is 3.4%. Equity ratio was 3.2% at the beginning of the year. The ratio is calculated in the same manner as the equity ratio of financial undertakings. The Fund's long-term goal is to keep the ratio above 5.0%, and discussions with the authorities are aimed at fulfilling the provisions of the Regulation.

HFF's Property According to Regions and Status, 31.03.2014

	For sale	Rented	Empty	Uninhabitable	In process	Total Mar'14	Total Feb'14
Capital Area	93	282	9	2	8	394	404
Sth. Peninsula	423	325	46	7	13	814	805
Western Region	151	72	19		8	250	249
Westfjords	47	8	10		6	71	68
Northw. Region	10	6	2		2	20	18
Northe. Region	53	46	4		4	107	106
Eastern Region	81	79	10		5	175	173
Southern Region	170	101	8	3	8	290	288
Total	1.028	919	108	12	54	2.121	2.111

Sold properties

