

## Market news

Total lending by the Housing Financing Fund (HFF) in May 2014 amounted to ISK 1.6bn, whereof ISK 321 were mortgages for privately owned homes. In comparison, in May 2013, these loans amounted to ISK 532m. The average amount of mortgages for privately owned homes was ISK 10.4m.

The yield of HFF14, HFF24 and HFF34 rose in May. The increase was 6–68 points. The yield of HFF14 declined by ten points. The total turnover of HFF bonds amounted to ISK 17.8bn this month, compared to ISK 11.5bn in April 2014.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 258m in May. Prepayments amounted to ISK 2.3bn compared to 1.6bn in April.

## Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of May, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 64.9bn or approximately 10.19% of HFF's loan portfolio to privately owned homes, compared to 12.75% in May last year. There are 3,404 households currently in arrears, whereof 211 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 8.96% in May 2013.

The amount of defaulted loans to legal entities was ISK 3.9bn with an underlying loan value of ISK 28.9bn. Thus 20.10% of the Fund's loans to legal entities are connected to defaults. Defaults or loans with deferred payments are a total of 12.08% of the Fund's loan portfolio. The corresponding percentage in May 2013 was 14.33%.

*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   | 0,0   | 0,1   | 1,7   |

## HFF Auctions, Lending and Payments

| Actual figures 2014    | Forecast | Actual | Actual  |
|------------------------|----------|--------|---------|
|                        | 2Q       | 2Q     | Jan-May |
| HFF bond issuance (NV) | 0        | 0      | 0,0     |
| New HFF lending        | 0        | 1,9    | 3,6     |
| HFF total payments     | 0        | 9,4    | 31,9    |

| HFF bond holders 31.05.2014   | HFF14 | HFF24 | HFF34 | HFF44 |
|-------------------------------|-------|-------|-------|-------|
| Banks and Savings banks       | 27,5% | 2,7%  | 0,5%  | 0,3%  |
| Individuals                   | 4,0%  | 2,7%  | 1,0%  | 0,8%  |
| Foreign Investors             | 8,7%  | 1,4%  | 1,1%  | 1,1%  |
| Other Corporations            | 15,8% | 4,7%  | 3,2%  | 0,5%  |
| Credit Institutions           | 17,4% | 7,5%  | 5,5%  | 2,9%  |
| Pension Funds                 | 4,9%  | 50,8% | 71,0% | 88,0% |
| Insurance Companies           | 3,4%  | 3,8%  | 1,7%  | 0,6%  |
| Securities and Investm. Funds | 18,0% | 24,2% | 15,4% | 5,3%  |
| Others                        | 0,3%  | 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.

## May 2014

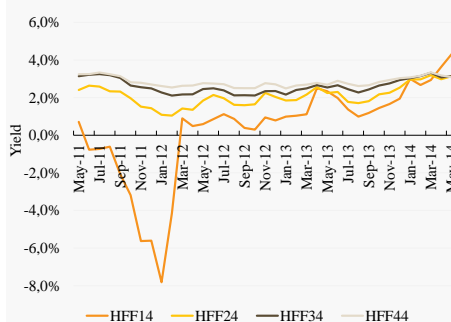
### Summary

- New mortgages for privately owned homes amounted to ISK 321 million
- Prepayments amounted to ISK 2.3 billion
- Privately owned homes in arrears decreased from last month
- 7.05% of homes are in arrears
- Total amount in default is ISK 8.3 billion, underlying loan amount equals 12.08% of loan portfolio
- HFF's appropriated properties numbered 2,096, whereof 936 apartment is rented

### HFF Lending Rate

4.20% fixed rate

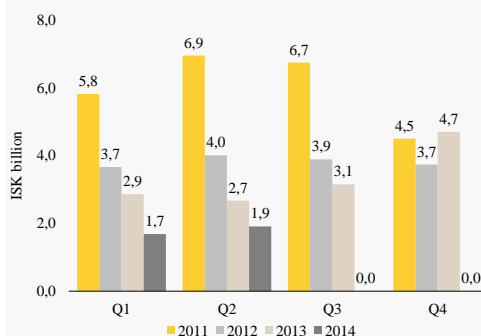
### Yield of HFF Bonds



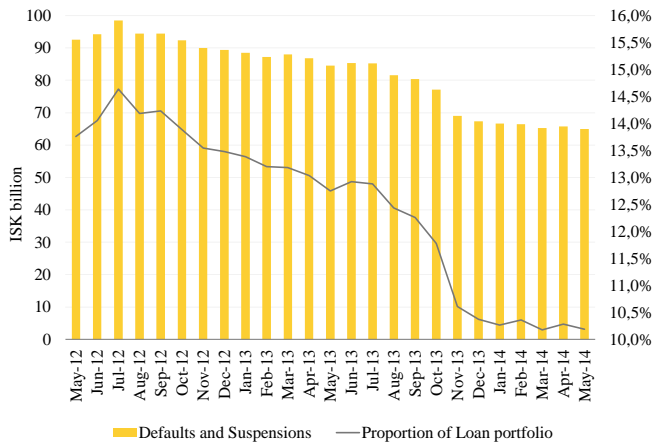
| Series | Mar 2014 | Apr 2014 | May 2014 | Duration | Face value | Outst.n. value |
|--------|----------|----------|----------|----------|------------|----------------|
| HFF14  | 2,94%    | 3,64%    | 4,31%    | 0,3      | 70,0       | 4,2            |
| HFF24  | 3,19%    | 2,98%    | 3,14%    | 4,7      | 164,0      | 97,0           |
| HFF34  | 3,32%    | 3,08%    | 3,14%    | 9,1      | 175,3      | 136,8          |
| HFF44  | 3,34%    | 3,18%    | 3,08%    | 12,7     | 273,1      | 239,3          |

\*Yield on the last trading day of each month  
Duration (yrs) and class size (BISK) as of end of May '14  
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.

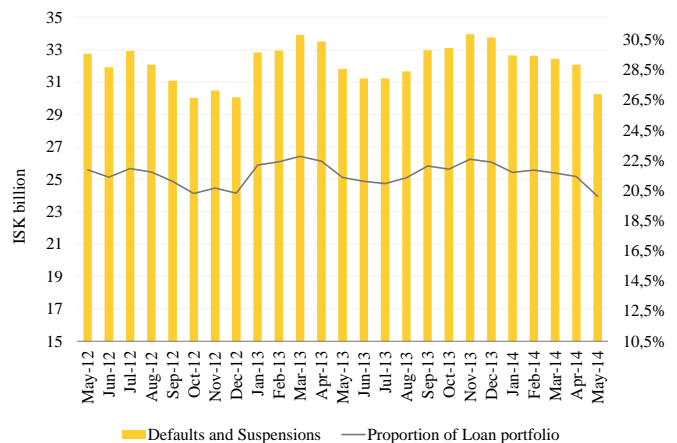
### Total Lending by Quarter



## Individuals - Defaults and Suspensions



## Legal Entities - Defaults and Suspensions



## HFF's Appropriated Property

### Property portfolio

The HFF owned 2,096 appropriated assets throughout Iceland by the end of May. This number decreased by 15 from the end of April. In May a number of 21 appropriated assets were added to the HFF's portfolio, overall 201 appropriated assets have been added since the beginning of the year.

In the first five months of the year the HFF sold 711 properties. As opposed to 102 properties for the same period in 2013. In addition, purchase offers for 207 properties have been accepted and bidders are currently engaged in financing the purchases. In total the HFF has sold 1,594 properties since the beginning of 2008.

Undergoing the sales process were 1,010 properties, most of which are already available for purchase others are going through sales registration. A number of 936 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 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 table to the right contains an overview of the location of properties, categorized according to regions and their use/disposal. Of the 2,096 properties that the HFF owned at the end of May 2014, 1,946 properties have been rented or are undergoing the sales process or other procedures. A further 128 properties await assessment, most of which will go into sales process.

### HFF's Property According to Regions and Status, 31.05.2014

|                 | For sale     | Rented     | Empty      | Uninhabitable | In process | Total May '14 | Total Apr '14 |
|-----------------|--------------|------------|------------|---------------|------------|---------------|---------------|
| Capital Area    | 88           | 276        | 5          | 2             | 8          | 379           | 386           |
| Sth. Peninsula  | 413          | 349        | 50         | 7             | 5          | 824           | 825           |
| Western Region  | 149          | 77         | 26         |               | 1          | 253           | 256           |
| Westfjords      | 55           | 11         | 5          |               | 2          | 73            | 71            |
| Northw. Region  | 12           | 4          | 3          |               | 2          | 21            | 20            |
| Northe. Region  | 52           | 46         | 5          |               | 2          | 105           | 110           |
| Eastern Region  | 83           | 77         | 16         |               | 1          | 177           | 178           |
| Southern Region | 158          | 96         | 6          | 3             | 1          | 264           | 265           |
| <b>Total</b>    | <b>1.010</b> | <b>936</b> | <b>116</b> | <b>12</b>     | <b>22</b>  | <b>2.096</b>  | <b>2.111</b>  |

### Sold properties

