

Market developments

The Housing Financing Fund (HFF) issued ISK 1 billion in mortgages this month. Of that amount, ISK 530 million was for privately owned homes. In comparison, this amount was approximately ISK 890 million in May 2012. The average amount for privately owned homes this month came to ISK 9.9 million.

Yields on HFF bonds dropped this month, by 9-31 points. So far this year, the yield on HFF14 has increased by 1.54%, HFF24 by 0.21%, HFF34 by 0.19% and HFF44 has decreased by 0.02%.

The total turnover of HFF bonds reached ISK 38.1 billion this month, compared to ISK 28.3 billion last month.

The Fund's amortization payments on HFF-bonds and other liabilities came to ISK 670 million this month, and prepaid mortgages amounted to ISK 1.3 bn.

Defaults

At the end of May, the default ratio for mortgages on privately owned homes had still declined, after reaching a peak in July 2012.

At the end of the month, mortgage defaults associated with privately owned homes came to ISK 4.8 billion with an underlying value of ISK 84.5 billion, or approximately 12.75% of HFF's loan portfolio on privately owned homes. This is a 0.29% decrease from the previous month, with an underlying default amount being 1.01% lower than in May 2012. Homes in default numbered 4,519, thereof 640 homes with suspended mortgage payments. This means that 8,96% of homes with HFF mortgages were in default at the end of May 2013.

At the end of the month, defaults on mortgages to legal entities amounted to ISK 3,0 billion with an underlying value of ISK 31.6 billion. Hence, 21.35% of the loan portfolio to legal entities was in default, a decrease of 1.09% from the previous month, and 0.51% lower than at the end of May 2012.

Defaults or payment suspensions amounted to 14.33% of the Fund's portfolio, compared to 15.24% in May 2012.

Defaults are past due payments of 90 days and suspended mortgage payments.

Outst. amount in the securities lending facility at the end of last month

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	1,9	0,0	0,5	0,5

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 2Q	Actual 2Q	Actual Jan-May
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,7	4,6
HFF total payments	0	9,7	30,1

HFF bond holders 31.5.2013	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	12,0%	3,0%	1,3%	0,9%
Individuals	4,4%	3,5%	1,5%	1,0%
Foreign Investors	20,6%	1,8%	1,8%	0,8%
Other Corporations	9,8%	3,5%	3,2%	0,5%
Credit Institutions	21,0%	6,3%	5,2%	3,4%
Pension Funds	3,7%	52,1%	67,9%	84,4%
Securities and Investment Funds	24,4%	24,0%	16,4%	7,3%
Others	4,1%	5,9%	2,6%	1,8%
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 2013

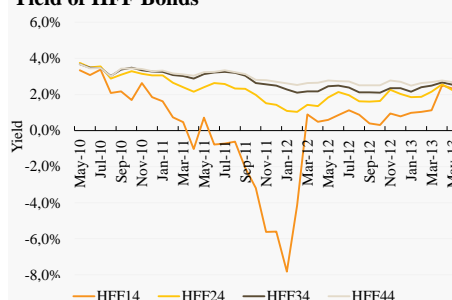
Summary

- New mortgages for privately owned homes amounted to ISK 530 million
- Prepayments amounted to ISK 1.3 billion
- Privately owned homes in default decreased from last month
- 9% of homes are in default
- Total amount in default is ISK 7.9 billion, underlying loan amount equals 14.3% of loan portfolio
- HFF's appropriated properties numbered 2.509

HFF Lending Rate

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

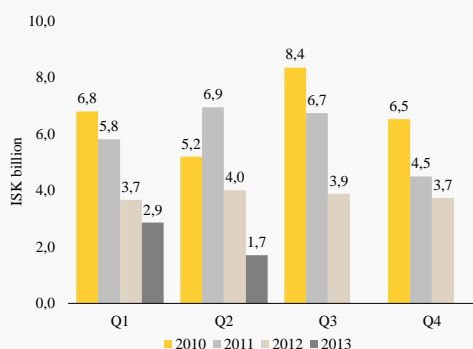
Yield of HFF Bonds



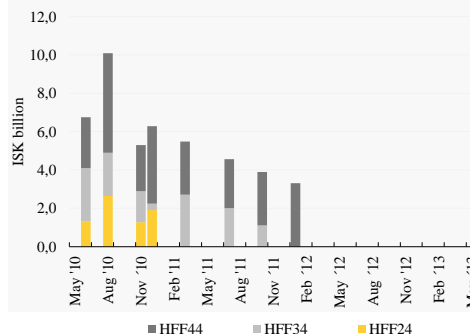
Series	Mar 2013	Apr 2013	May 2013	Duration	Face value	Outst.n.
HFF14	1,12%	2,51%	2,33%	0,8	70,0	12,2
HFF24	2,16%	2,56%	2,25%	5,2	164,0	104,9
HFF34	2,49%	2,66%	2,54%	9,7	175,3	141,3
HFF44	2,69%	2,78%	2,69%	13,4	273,1	243,4

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

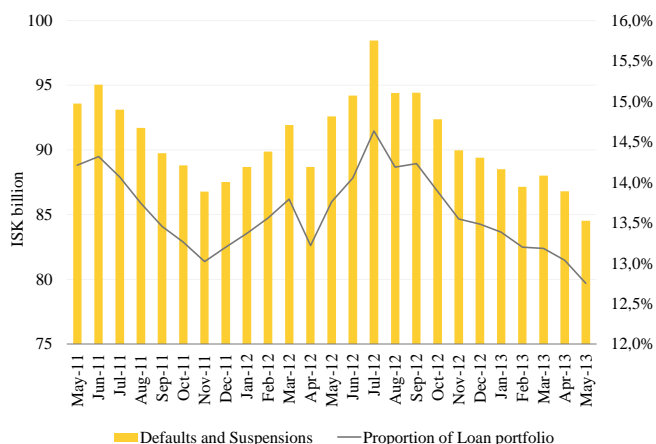
Total Lending by Quarter



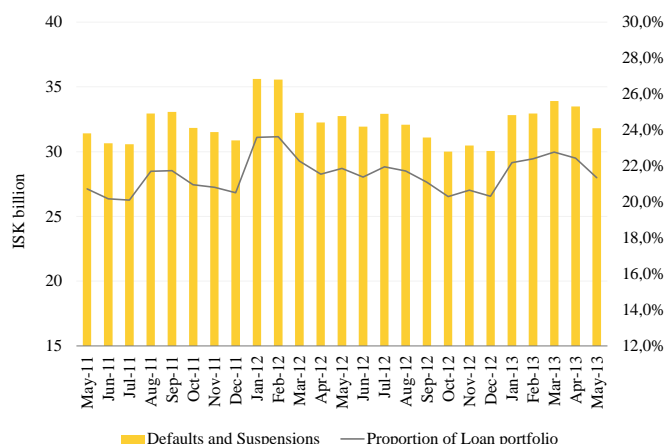
HFF Bond Auctions



Defaults and Suspensions of Individuals



Defaults and Suspensions of Legal Entities



HFF's Appropriated Property

Portfolio

At the end of May, HFF's appropriated properties throughout the country totaled 2.509, an increase of 93 since last month. Roughly half of these properties previously belonged to construction builders, rental associations or other legal entities.

A total of 1.124 properties were being rented throughout the country, most of them to families or individuals that occupied the property 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.

A total of 286 properties were uninhabitable; most of them in the building process, and some old or in poor condition. However, uninhabitable properties are considerably fewer than last month.

878 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.

Since the beginning of the year, the Fund has sold 102 properties, compared to 46 during the same time last year. A total of 677 have been sold since the beginning of 2008.

Out of HFF's 2.509 properties which the Fund owned by the end of May, 2.080 have so far either been rented, or are in the process of being sold. Additionally, 429 properties await assessment. Many of them are located in regions where there is a significant supply of property, for rent and/or sale.

HFF's Property According to Regions and Status, 31.5.2013

	Rented	Empty	Uninhabitable	In process	Total May '13	Total april '13
Capital Area	348	136	66	25	575	527
Southern Peninsula	292	372	124	26	814	796
Western Region	99	126	37	8	270	265
Westfjords	16	41	15	2	74	72
Northwestern Region	8	9	0	2	19	18
Northeastern Region	94	54	2	5	155	154
Eastern Region	113	128	12	3	256	249
Southern Region	154	147	30	15	346	335
Total	1.124	1.013	286	86	2.509	2.416
- Process of being sold	0	664	214	0	878	858
- Rented/other	1.124	0	0	86	1.210	997
Total unoccupied/ in process	0	349	72	0	421	561

Sold properties

