

## Market news

Total lending by the Housing Financing Fund (HFF) in December 2014 amounted to ISK 474m, thereof were 384m in mortgages for privately owned homes. In comparison, in December 2013, these loans amounted to ISK 668m. The average amount of mortgages for privately owned homes was ISK 7,5m.

The yield of class HFF24 bonds increased in December by 4 points. The yield of class HFF34 decreased by 4 points and HFF44 by 7 points. HFF14 expired in September and is now all paid up. The total turnover of HFF bonds amounted to ISK 12.9bn this month, compared to ISK 15.8bn in November 2014.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 12,4bn in December. Prepayments amounted to ISK 2.1bn compared to 1.7bn in November.

## Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of December, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 49,8bn or approximately 8.17% of HFF's loan portfolio to privately owned homes, compared to 10.37% in December last year. There are 2,563 households currently in arrears, whereof 123 have had their loan payments deferred. A total of 5.49% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 7.23% in December 2013.

The amount of loans in default to legal entities was ISK 3.8bn with an underlying loan value of ISK 26.1bn. Thus 17.64% of the Fund's loans to legal entities are connected to defaults.

Defaults or loans with deferred payments are a total of 10.02% of the Fund's loan portfolio. The corresponding percentage in December 2013 was 12.63%.

*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 Dec.

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,4	0,1	1,5

## HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 4Q	Actual 4Q	Actual Jan-Dec
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,4	7,3
HFF total payments	0	21,9	85,2

HFF bond holders	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	0,0%	2,6%	0,5%	0,4%
Individuals	0,0%	3,0%	1,1%	0,7%
Foreign Investors	0,0%	1,3%	1,0%	1,0%
Other Corporations	0,0%	4,8%	3,2%	0,7%
Credit Institutions	0,0%	7,2%	5,4%	3,0%
Pension Funds	0,0%	55,6%	73,7%	88,1%
Insurance Companies	0,0%	3,7%	1,7%	0,7%
Securities and Investm. Funds	0,0%	19,6%	12,8%	4,9%
Others	0,0%	2,1%	0,6%	0,6%
Nominal Value	0,0	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.

## December 2014

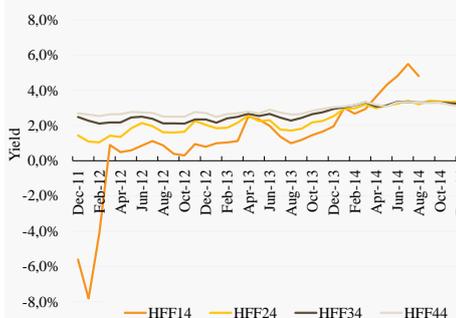
### Summary

- New mortgages for privately owned homes amounted to ISK 384 million
- Prepayments amounted to ISK 2.1 billion
- Privately owned homes in arrears increased from last month
- 5.49% of homes are in arrears
- Total amount in default is ISK 8.17 billion, underlying loan amount equals 10.02% of loan portfolio
- HFF's appropriated properties numbered 1,891 whereof 875 apartments are rented

### HFF Lending Rate

4.20% fixed rate

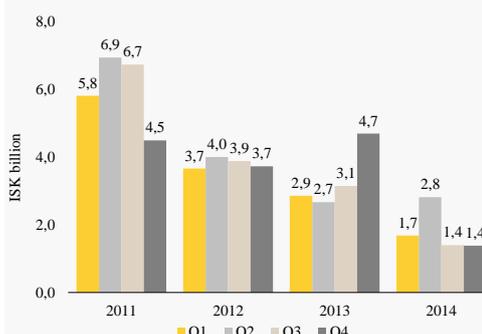
### Yield of HFF Bonds



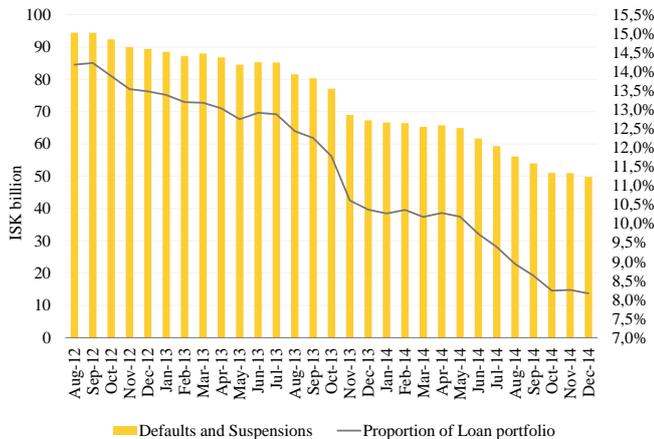
Series	Okt 2014	Nov 2014	Dec 2014	Duration	Face value	Outst.n. value
HFF14	0,00%	0,00%	0,00%	0,0	0,0	0,0
HFF24	3,40%	3,33%	3,37%	4,5	164,0	93,0
HFF34	3,30%	3,26%	3,22%	8,9	175,3	136,8
HFF44	3,29%	3,16%	3,09%	12,5	273,1	237,1

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

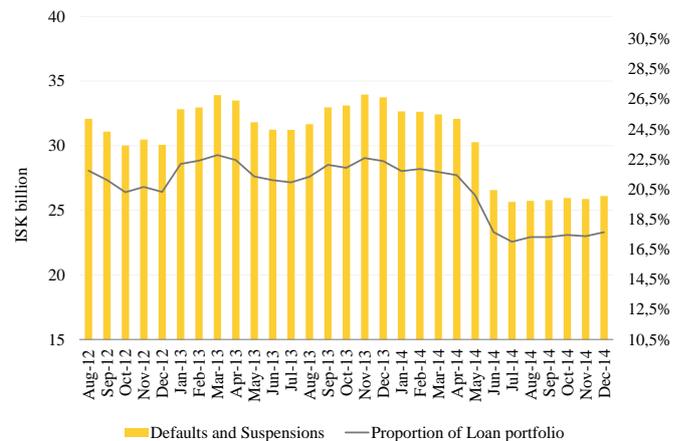
### Total Lending by Quarter



## Individuals - Defaults and Suspensions



## Legal Entities - Defaults and Suspensions



## HFF's Appropriated Property

### Property portfolio

The HFF owned 1,891 appropriated assets throughout Iceland by the end of 2014, which is a decrease in assets of 74 from last month. Over the month the fund sold 100 properties and 26 appropriated assets were added to the HFF's portfolio. Overall 382 appropriated assets have been added in the year 2014.

The HFF sold 1.066 properties in 2014. As opposed to 311 properties in 2013. In addition, bids for 43 properties have been accepted and bidders are currently engaged in financing. Undergoing the sales process were 924 properties, most of which are already available for purchase others are going through sales registration.

The HFF is working on a review of bids on 400 properties in 7 different portfolios and are now discussions with potential buyers. These properties are located in the Westfjords, North Region, Eastern Region, Southern Region, Sth. Peninsula and in the Capital Area.

A number of 875 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 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 1,891 properties that the HFF owned at the end of 2014, 1,822 properties have been rented or are undergoing the sales process or other procedures. A further 69 properties await assessment and will they either be rented out or go into sales process.

### HFF's Property According to Regions and Status, 31.12.2014

	For sale	Rented	Empty	Uninhabitable	In process	Total Des'14	Total Nov'14
Capital Area	81	245	5	0	10	341	350
Sth. Peninsula	418	344	14	0	4	780	801
Western Region	110	69	18		4	201	222
Westfjords	35	8	4		2	49	65
Northw. Region	14	2	3		0	19	19
Northe. Region	46	42	2	0	0	90	91
Eastern Region	89	83	21		0	193	187
Southern Region	131	82	2	2	1	218	230
<b>Total</b>	<b>924</b>	<b>875</b>	<b>69</b>	<b>2</b>	<b>21</b>	<b>1,891</b>	<b>1,965</b>

### Sold properties

