

## Market news

Total lending by the Housing Financing Fund (HFF) in Oktober 2014 amounted to ISK 273m, whereof all were mortgages for privately owned homes. In comparison, in Oktober 2013, these loans amounted to ISK 900m. The average amount of mortgages for privately owned homes was ISK 8.8m.

The yield of class HFF24 bonds decreased in Oktober by 3 points. The yield of class HFF34 and HFF44 rose by 1 point but other bonds stood still. HFF14 expired in September and is now all paid up. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 9,1bn in Oktober. Prepayments amounted to ISK 2.3bn compared to 2.2bn in September.

## Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of Oktober, the amount of defaulted loans to individuals amounted to ISK 4.3bn, with the underlying loan value amounting to ISK 51bn or approximately 8.24% of HFF's loan portfolio to privately owned homes, compared to 11.78% in Oktober last year. There are 2,602 households currently in arrears, whereof 125 have had their loan payments deferred. A total of 5.52% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 8.11% in Oktober 2013.

The amount of defaulted loans to legal entities was ISK 3.5bn with an underlying loan value of ISK 25.9bn. Thus 17.46% 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 Oktober 2013 was 14.08%.

*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 Oktober

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,1	0,5	1,7

## HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 4Q	Actual 4Q	Actual Jan-Okt
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,3	6,2
HFF total payments	0	9,1	72,4

HFF bond holders 30.09.2014	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	0,0%	2,2%	0,3%	0,2%
Individuals	0,0%	3,1%	1,1%	0,8%
Foreign Investors	0,0%	1,3%	1,0%	1,0%
Other Corporations	0,0%	4,7%	3,1%	0,7%
Credit Institutions	0,0%	6,4%	5,2%	2,9%
Pension Funds	0,0%	54,1%	72,8%	88,6%
Insurance Companies	0,0%	4,1%	1,7%	0,7%
Securities and Investm. Funds	0,0%	22,0%	14,2%	4,7%
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.

## Oktober 2014

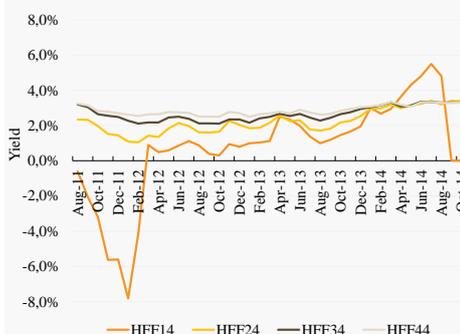
### Summary

- New mortgages for privately owned homes amounted to ISK 273 million
- Prepayments amounted to ISK 2.3 billion
- Privately owned homes in arrears decreased from last month
- 5.52% of homes are in arrears
- Total amount in default is ISK 7.8 billion, underlying loan amount equals 10.02% of loan portfolio
- HFF's appropriated properties numbered 1,984 whereof 892 apartments are rented

### HFF Lending Rate

4.20% fixed rate

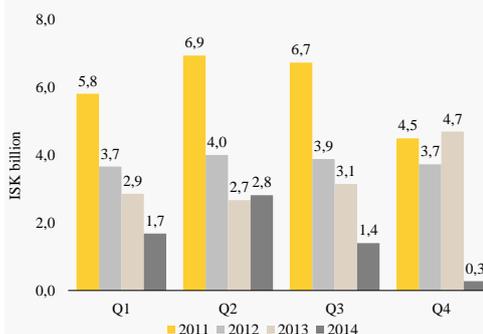
### Yield of HFF Bonds



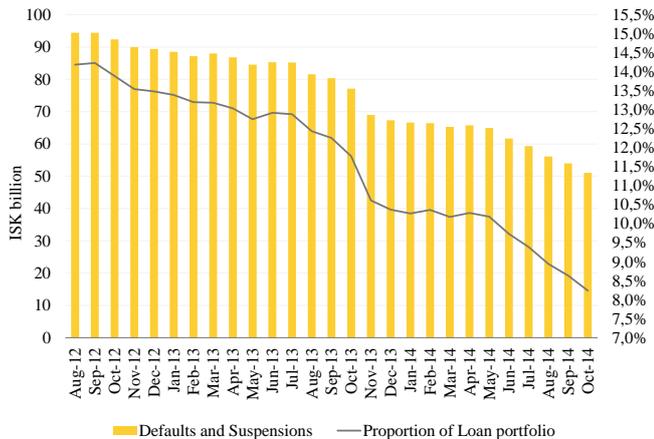
Series	Aug 2014	Sept 2014	Okt 2014	Duration	Face value	Outst.n. value
HFF14	4,81%	0,00%	0,00%	0,0	0,0	0,0
HFF24	3,20%	3,40%	3,37%	4,6	164,0	93,0
HFF34	3,30%	3,30%	3,31%	8,7	175,3	136,8
HFF44	3,29%	3,29%	3,30%	12,6	273,1	237,1

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

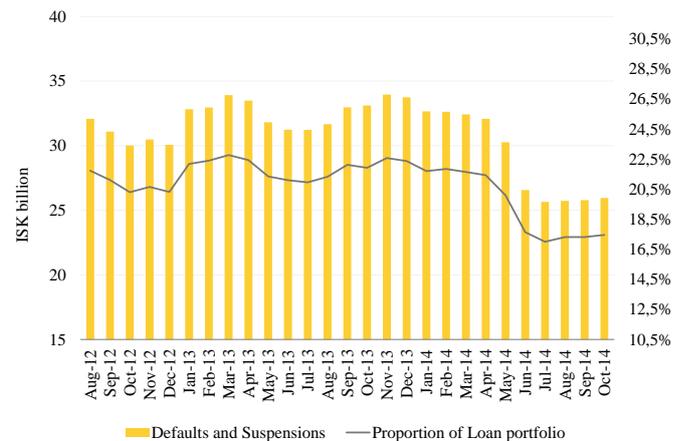
### Total Lending by Quarter



## Individuals - Defaults and Suspensions



## Legal Entities - Defaults and Suspensions



## HFF's Appropriated Property

### Property portfolio

The HFF owned 1,984 appropriated assets throughout Iceland by the end of October, with a decrease in assets about 25 from last month. Over the month the fund sold 58 properties and 33 appropriated assets were added to the HFF's portfolio. Overall 330 appropriated assets have been added since the beginning of the year.

The HFF has sold 921 properties this year. As opposed to 235 properties for the same period in 2013. In addition, purchase offers for 97 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 1.015 properties, most of which are already available for purchase others are going through sales registration. The HFF has 400 assets in a special sales process where they will be sold in 7 assets portfolios. These assets are located in the Westfjords, Northe. Region, Eastern Region, Southern Region, Sth. Peninsula and in the Capital Area. The sale process is estimated to finish late December 2014 and processing and contracting with buyers in January 2015.

A number of 892 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. In addition 450 apartments are rented through the rental company Klettur thus altogether there are 1,342 rental apartments with affiliation to the HFF.

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 1,984 properties that the HFF owned at the end of October 2014, 1,926 properties have been rented or are undergoing the sales process or other procedures. A further 58 properties await assessment and will they either be rented out or go into sales process.

### HFF's Property According to Regions and Status, 31.10.2014

	Uninhabit-able			In process	Total Okt'14	Total Sept'14
	For sale	Rented	Empty			
Capital Area	90	252	5	2	9	358
Sth. Peninsula	441	353	10	0	1	805
Western Region	136	70	17		1	224
Westfjords	52	8	3		2	65
Northw. Region	15	2	1		1	19
Northe. Region	49	42	1	0	3	95
Eastern Region	94	79	14		1	188
Southern Region	138	86	3	2	1	230
<b>Total</b>	<b>1.015</b>	<b>892</b>	<b>54</b>	<b>4</b>	<b>19</b>	<b>1,984</b>

### Sold properties

