

## Market news

Total lending by the Housing Financing Fund (HFF) in September 2014 amounted to ISK 427m, whereof ISK 286m were mortgages for privately owned homes. In comparison, in September 2013, these loans amounted to ISK 863m. The average amount of mortgages for privately owned homes was ISK 8.4m.

The yield of class HFF24 bonds rose in September by 20 points. The yield of other HFF bonds stood still but HFF14 expired in September and is now all payed up. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 8bn in September. Prepayments amounted to ISK 2.2bn compared to 3.5bn in August.

## Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of September, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 54bn or approximately 8.64% of HFF's loan portfolio to privately owned homes, compared to 12.26% in September last year. There are 2,742 households currently in arrears, whereof 138 have had their loan payments deferred. A total of 5.79% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 8.50% in September 2013.

The amount of defaulted loans to legal entities was ISK 3.4bn with an underlying loan value of ISK 25.8bn. Thus 17.31% of the Fund's loans to legal entities are connected to defaults. Defaults or loans with deferred payments are a total of 10.31% of the Fund's loan portfolio. The corresponding percentage in September 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 September

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,0	0,0	1,6

## HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 3Q	Actual 3Q	Actual Jan-Sep
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,4	5,9
HFF total payments	0	11,1	72,0

HFF bond holders 30.09.2014	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	0,0%	2,9%	0,3%	0,3%
Individuals	0,0%	3,2%	1,1%	0,8%
Foreign Investors	0,0%	1,3%	1,0%	1,0%
Other Corporations	0,0%	4,5%	3,1%	0,7%
Credit Institutions	0,0%	7,5%	5,5%	2,9%
Pension Funds	0,0%	50,5%	71,7%	88,1%
Insurance Companies	0,0%	4,1%	1,7%	0,7%
Securities and Investm. Funds	0,0%	24,0%	14,9%	5,0%
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.

## September 2014

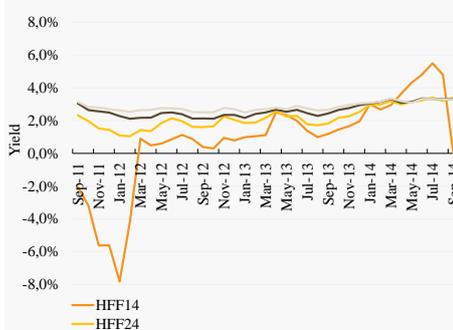
### Summary

- New mortgages for privately owned homes amounted to ISK 316 million
- Prepayments amounted to ISK 3.5 billion
- Privately owned homes in arrears decreased from last month
- 6.04% of homes are in arrears
- Total amount in default is ISK 7.8 billion, underlying loan amount equals 10.54% of loan portfolio
- HFF's appropriated properties numbered 2,040 whereof 918 apartments are rented

### HFF Lending Rate

4.20% fixed rate

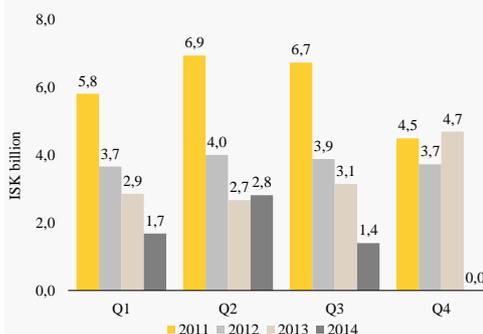
### Yield of HFF Bonds



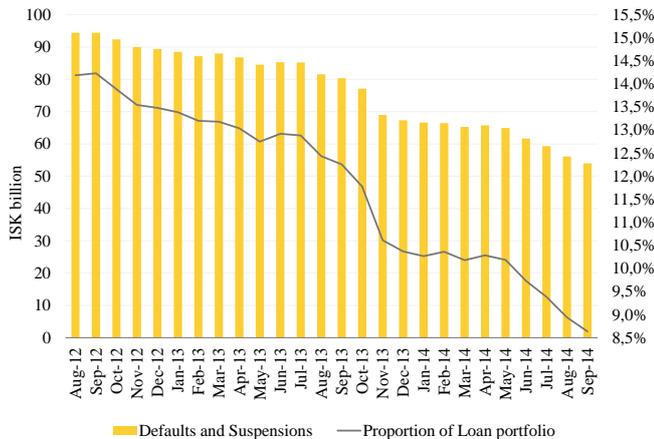
Series	Jul 2014	Aug 2014	Sep 2014	Duration	Face value	Outst.n. value
HFF14	5,49%	4,81%	0,00%	0,0	0,0	0,0
HFF24	3,41%	3,20%	3,40%	4,6	164,0	93,0
HFF34	3,33%	3,30%	3,30%	8,7	175,3	136,8
HFF44	3,33%	3,29%	3,29%	12,6	273,1	237,1

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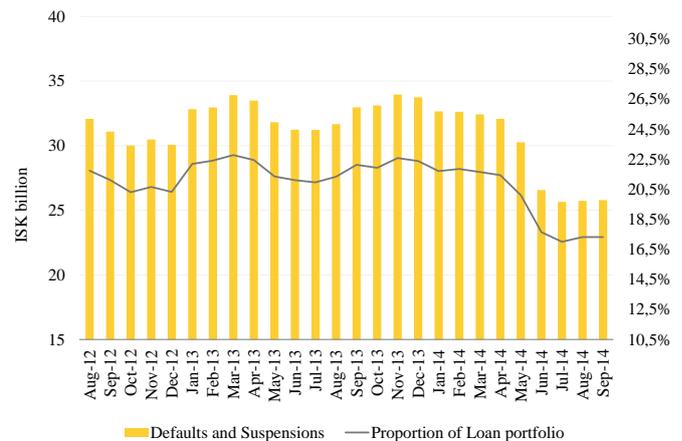
### Total Lending by Quarter



## Individuals - Defaults and Suspensions



## Legal Entities - Defaults and Suspensions



## HFF's Appropriated Property

### Property portfolio

The HFF owned 2,009 appropriated assets throughout Iceland by the end of September, over the month the fund sold 43 properties and 13 appropriated assets were added to the HFF's portfolio. Overall 297 appropriated assets have been added since the beginning of the year.

The HFF has sold 862 properties this year. As opposed to 218 properties for the same period in 2013. In addition, purchase offers for 126 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 1.025 properties, most of which are already available for purchase others are going through sales registration. A number of 878 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 1,328 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 2,009 properties that the HFF owned at the end of September 2014, 1,921 properties have been rented or are undergoing the sales process or other procedures. A further 88 properties await assessment and will they either be rented out or go into sales process.

### HFF's Property According to Regions and Status, 30.09.2014

				Uninhabit-able	In process	Total Aug '14	Total Jul '14
	For sale	Rented	Empty				
Capital Area	94	254	9	2	7	366	370
Sth. Peninsula	439	339	37	0	1	816	830
Western Region	138	69	16		1	224	228
Westfjords	52	11	2		1	66	68
Northw. Region	15	2	2		1	20	19
Northe. Region	51	40	4	0	1	96	103
Eastern Region	96	79	13		0	188	187
Southern Region	140	84	5	3	1	233	235
<b>Total</b>	<b>1.025</b>	<b>878</b>	<b>88</b>	<b>5</b>	<b>13</b>	<b>2,009</b>	<b>2,040</b>

### Sold properties

