

## Market news

Total lending by the Housing Financing Fund (HFF) in December 2013 amounted to ISK 770m, whereof ISK 670m were mortgages for privately owned homes. In comparison, in December 2012, these loans amounted to ISK 940m. The average amount of mortgages for privately owned homes was ISK 11.3m. In total, the issued amount for privately owned homes this year is ISK 9.3 billion, compared to ISK 12.9 billion in 2012. The Fund issued a total of 906 mortgages for privately owned homes in 2013, compared to 1,314 in 2012.

A change was made to the HFF's board of directors in December where the Minister of Social Affairs and Housing appointed Steinunn Valdís Óskarsdóttir to the board replacing Krístrún Heimisdóttir. According to a report published on 16 December by Moody's Investors Service the mortgage debt-relief plan should have positive impact on the funds credit rating.

The yield of all classes of HFF bonds rose in December. The increase was 10–29 points. In 2013, the yield of HFF14 rose by 0.96%, that of HFF24 by 0.68%, that of HFF34 by 0.78 and HFF44 by 0.55%. The total turnover of HFF bonds amounted to ISK 27bn this month, compared to ISK 28.9bn in November 2013. The total turnover in 2013 amounted to ISK 404bn, compared to ISK 627bn in 2012. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 15.8bn in December. Prepayments amounted to ISK 1.1bn. The Fund published an announcement in the beginning of December for an additional call on HFF bonds due on 15 December 2013. A statement of the drawn bonds was published in the Official Gazette (Lögbirtingablaðið) on 15 December.

## Development of defaulted loans

The number of households in arrears continued to fall in December. This year, their number decreased by nearly 25%, or 1,172 homes. The proportion of the underlying loan value of individuals in arrears has also continued to fall. The individual defaults have decreased continuously for the last six months. By the end of December, the amount of defaulted loans to individuals amounted to ISK 4.3bn, with the underlying loan value amounting to ISK 67.3bn or approximately 10.37% of HFF's loan portfolio to privately owned homes, compared to 13.48% at the end of 2012. There are 3,543 households currently in arrears, whereof 271 have had their loan payments deferred. A total of 7.23% of the households that have their property loans from HFF were in arrears with their loans at the end of December, compared to 9.3% at the end of 2012. The amount of defaulted loans to legal entities was ISK 4.5bn with an underlying loan value of ISK 33.7bn. Thus 22.38% of the Fund's loans to legal entities are connected to defaults, which is a 0.20% decrease from the previous month. Defaults or loans with deferred payments are a total of 12.63% of the Fund's loan portfolio. The corresponding percentage in December 2012 was 14.73%.

*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	0,4	0,4	1,2

## HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 4Q	Actual 4Q	Actual Jan-Dec
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	4,7	13,4
HFF total payments	0	26,0	87,1

HFF bond holders 31.12.2013	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	15,9%	1,2%	0,5%	0,8%
Individuals	4,1%	3,1%	1,3%	0,9%
Foreign Investors	9,8%	1,7%	1,7%	0,4%
Other Corporations	13,1%	4,7%	3,4%	0,5%
Credit Institutions	18,5%	5,8%	5,3%	3,1%
Pension Funds	4,8%	51,7%	69,0%	86,4%
Insurance Companies	5,1%	3,7%	1,8%	0,8%
Securities and Investment Funds	27,8%	25,7%	16,3%	6,5%
Others	0,9%	2,3%	0,6%	0,6%
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.

## December 2013

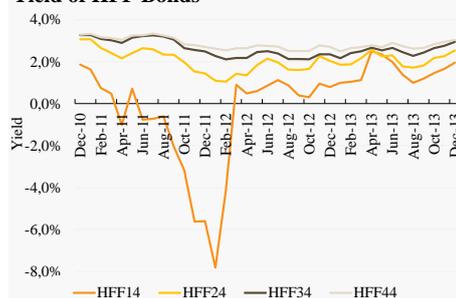
### Summary

- New mortgages for privately owned homes amounted to ISK 670 million
- Prepayments amounted to ISK 1.1 billion
- Privately owned homes in arrears decreased from last month
- 7.23% of homes are in default
- Total amount in default is ISK 8.8 billion, underlying loan amount equals 12.63% of loan portfolio
- HFF's appropriated properties numbered 2,606, whereof 1,306 apartments are rented

### HFF Lending Rate

4.20% fixed rate

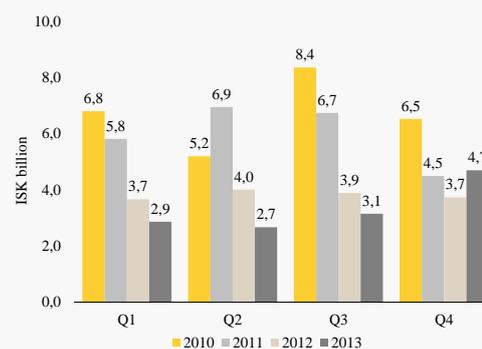
### Yield of HFF Bonds



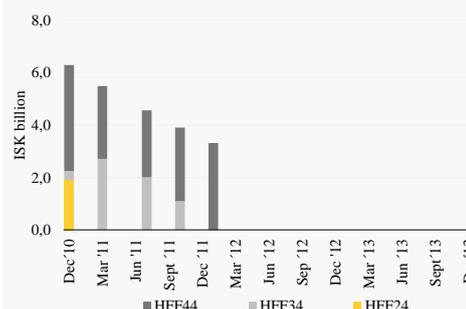
Series	Oct 2013	Nov 2013	Dec 2013	Duration	Face value	Outst.n. value
HFF14	1,45%	1,66%	1,95%	0,5	70,0	8,2
HFF24	2,17%	2,26%	2,53%	4,9	164,0	101,0
HFF34	2,64%	2,76%	2,94%	9,3	175,3	139,1
HFF44	2,83%	2,94%	3,04%	13,2	273,1	239,3

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of December '13  
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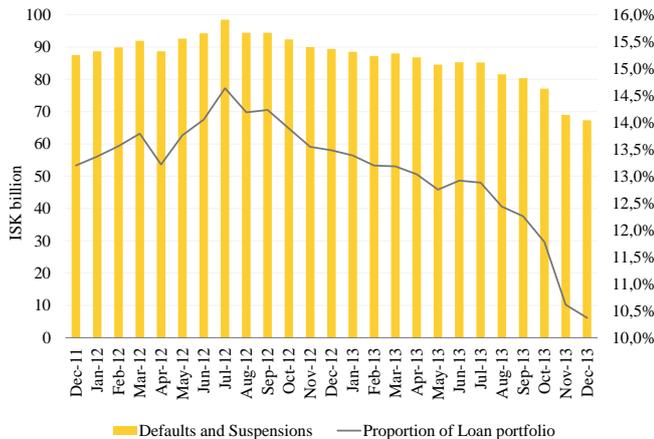
### Total Lending by Quarter



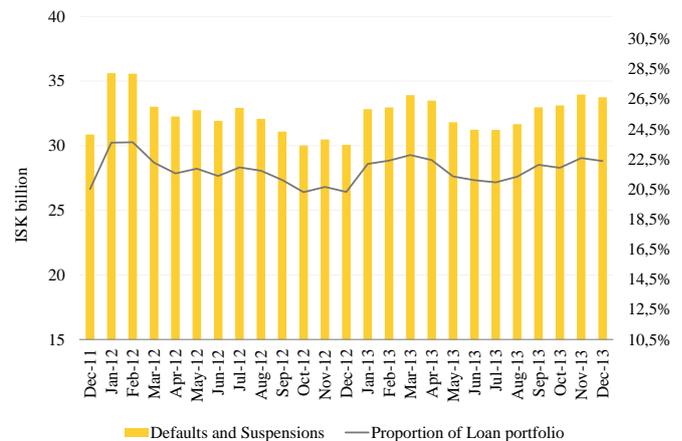
### HFF Bond Auctions



## Individuals - Defaults and Suspensions



## Legal Entities - Defaults and Suspensions



## HFF's Appropriated Property

### Property portfolio

The HFF owned 2,606 appropriated assets throughout Iceland by the end of December. This number decreased by one from the end of November.

Of this number, 1,306 apartments were rented throughout the country. The vast majority were rented to families and individuals who resided in the properties when the HFF acquired them.

This year the HFF sold 307 properties as opposed to 123 properties in 2012. Thus sales have tripled this last year. In addition, purchase offers for 93 properties have been accepted and bidders are currently engaged in financing the purchases. The HFF has sold 882 properties since the beginning of 2008. Undergoing the sales process were 986 properties, either already available for purchase or being registered for sale. The Asset Management Division of the HFF is currently registering all the Fund's properties that have not been rented with estate agencies.

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 2,606 properties that the HFF owned at the end of December 2013, 2,342 properties have been rented or are undergoing the sales process or other procedures. A further 264 properties await assessment, most of which will go into sales process. It should be pointed out that a number of 248 auction deeds await handling from the district commissioner, causing a delay on the sales process. These properties can therefore still be listed as "empty" for instance.

### HFF's Property According to Regions and Status, 31.12.2013

	For sale	Rented	Empty	Uninhabitable	In process	Total Dec'13	Total Nov'13
Capital Area	112	430	31	2	18	593	594
Sth. Peninsula	373	358	123	12	15	881	861
Western Region	127	110	43	2	3	285	283
Westfjords	52	10	8	0	3	73	69
Northw. Region	11	6	0	0	1	18	17
Northe. Region	51	98	2	0	4	155	163
Eastern Region	95	121	14	1	1	232	248
Southern Region	165	173	22	4	5	369	372
<b>Total</b>	<b>986</b>	<b>1.306</b>	<b>243</b>	<b>21</b>	<b>50</b>	<b>2.606</b>	<b>2.607</b>

### Sold properties

