

Market news

Total lending by the Housing Financing Fund (HFF) in October 2013 amounted to ISK 2.7bn, whereof ISK 900m were mortgages for privately owned homes. In comparison, in October 2012, these loans amounted to around ISK 1.3bn. The average amount of mortgages for privately owned homes was ISK 10.2m.

In October, Rósa Guðbjartsdóttir asked to retire from the board of the HFF for personal reasons. The Minister of Social Affairs and Housing will appoint a replacement as soon as possible.

The yield of all classes of HFF bonds rose in October. The increase was 18–36 points. Since the beginning of the year, the yield of HFF14 has risen by 0.46%, that of HFF24 by 0.32%, that of HFF34 by 0.48 and HFF44 by 0.34%. The total turnover of HFF bonds amounted to ISK 29.8bn in October, as compared with ISK 33.6bn in September 2013. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 7.9bn in September. Prepayments amounted to ISK 1.8bn. The Fund published an announcement on 9 October 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 October.

Development of defaulted loans

The number of households in arrears continued to fall in October. Their number has decreased by just under 15%, or 691 homes, since the beginning of the year. The proportion of the underlying loan value of individuals in arrears has also continued to fall. By the end of October, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 77.1bn or approximately 11.78% of HFF's loan portfolio to privately owned homes. This corresponds to a decrease of 0.48% from the previous month. There are 4,024 households currently in arrears, whereof 643 have had their loan payments deferred. A total of 8.11% of the households that have their property loans from HFF were in arrears with their loans at the end of October. The amount of defaulted loans to legal entities was ISK 4.3bn with an underlying loan value of ISK 33.1bn. Thus 21.93% 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 13.68% of the Fund's loan portfolio. The corresponding percentage in October 2012 was 15.05%.

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	0,5	0,5	0,5

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 4Q	Actual 4Q	Actual Jan-Oct
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	2,7	11,4
HFF total payments	0	9,0	70,0

HFF bond holders 31.10.2013	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	16,2%	1,5%	0,8%	0,7%
Individuals	4,2%	3,2%	1,4%	0,9%
Foreign Investors	12,9%	1,7%	1,7%	0,5%
Other Corporations	11,6%	4,3%	3,2%	0,5%
Credit Institutions	18,5%	5,7%	5,4%	3,4%
Pension Funds	4,8%	51,9%	68,4%	85,7%
Insurance Companies	5,1%	3,5%	1,9%	0,9%
Securities and Investment Funds	25,7%	26,0%	16,4%	6,8%
Others	0,9%	2,3%	0,7%	0,7%
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.

October 2013

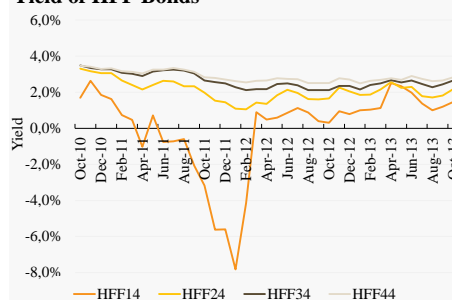
Summary

- New mortgages for privately owned homes amounted to ISK 900 million
- Prepayments amounted to ISK 1.8 billion
- Privately owned homes in arrears decreased from last month
- 8.11% of homes are in default
- Total amount in default is ISK 8.7 billion, underlying loan amount equals 13.68% of loan portfolio
- HFF's appropriated properties numbered 2.549

HFF Lending Rate

- 4.20% With a prepayment fee
- 4.70% Without a prepayment fee

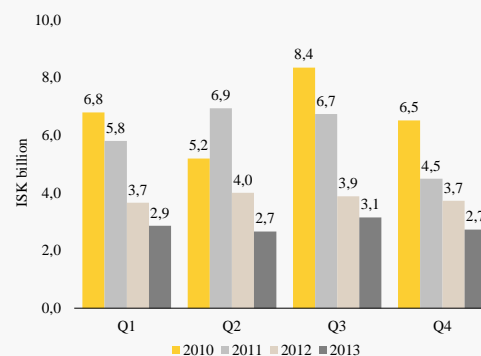
Yield of HFF Bonds



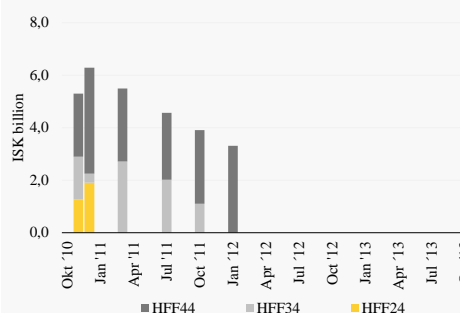
Series	Aug 2013	Sept 2013	Oct 2013	Duration	Face value	Outst.n.
HFF14	0,99%	1,19%	1,45%	0,6	70,0	8,2
HFF24	1,71%	1,82%	2,17%	5,1	164,0	101,0
HFF34	2,28%	2,43%	2,64%	9,6	175,3	139,1
HFF44	2,62%	2,66%	2,83%	13,2	273,1	241,4

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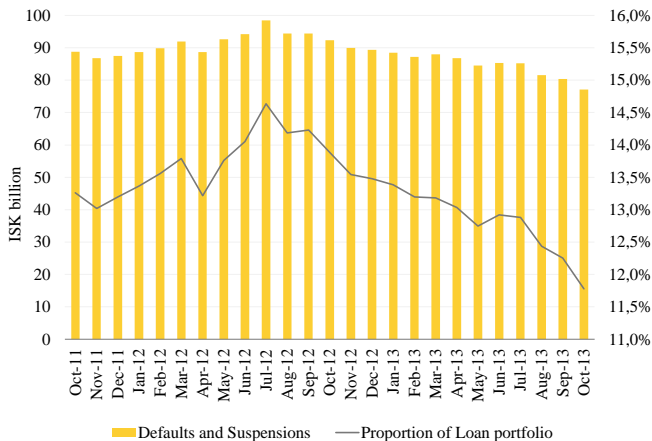
Total Lending by Quarter



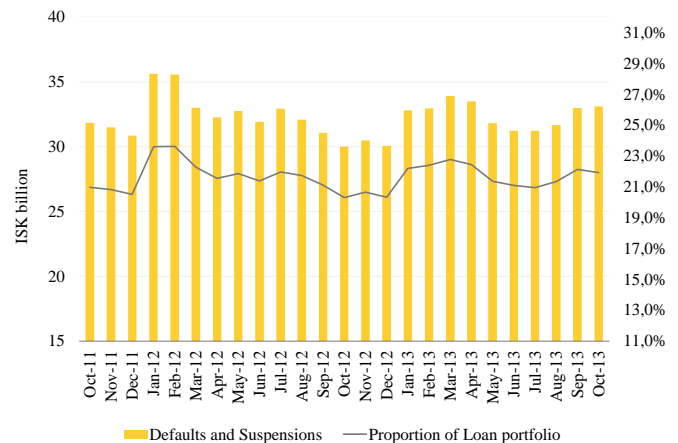
HFF Bond Auctions



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 2,549 appropriated assets throughout Iceland by the end of October. This number increased by 31 from the end of September.

Of this number, 1,214 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. The Fund is authorised to rent apartments on the open market in areas where there is a lack of rentable housing. Every effort is made to offer for rent all the Fund's empty rentable apartments. Repairs are currently being carried out on several properties that will be advertised over the coming months.

The sale of properties since the beginning of the year 2013 has been more successful than in 2012. From the beginning of the year to the end of October, the HFF has sold 230 properties as opposed to 105 properties during the same period in 2012. In addition, purchase offers for 79 properties have been accepted and bidders are currently engaged in financing the purchases. The HFF has sold 805 properties since the beginning of 2008. Undergoing the sales process were 875 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. Moreover, 222 properties were uninhabitable, whereof 175 were at the construction stage and therefore uncompleted. The table to the right contains an overview of the location of properties, categorised according to regions and their use/disposal.

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.

Of the 2,549 properties that the HFF owned at the end of October 2013, 2,125 properties have been rented or are undergoing the sales process or other procedures. A further 424 properties await assessment. Many of these are in areas where there is a surplus of properties for sale and/or rent.

HFF's Property According to Regions and Status, 31.10.2013

	Rented	Empty	Uninhabitable	In process	Total Oct '13	Total Sept '13
Capital Area	407	147	5	14	573	554
Southern Peninsula	299	386	125	1	811	811
Western Region	105	136	37	4	282	279
Westfjords	8	44	15	2	69	68
Northwestern Region	7	10	0	1	18	19
Northeastern Region	98	62	1	3	164	163
Eastern Region	119	131	11	2	263	263
Southern Region	171	161	28	9	369	361
Total	1.214	1.077	222	36	2.549	2.518
- Process of being sold	0	708	167	0	875	875
- Rented/other	1.214	0	0	36	1.250	1.215
Total unoccupied/ in process	0	369	55	0	424	428

Sold properties

