

## Market developments

The Housing Financing Fund (HFF) issued approximately ISK 1.3 billion in mortgages this month. Of that amount, about ISK 1.1 billion was for privately owned homes. In comparison, this amount was approximately ISK 1.9 billion in September 2011. The average amount for privately owned homes this month was around ISK 8.9 million. In the first nine months, the total amount in that category was approximately ISK 9.4 billion, compared to about ISK 17.7 billion for the same period in 2011.

The Fund has issued a total of 972 mortgages for privately owned homes this year, compared to 1.760 for the same period in 2011.

The yield on all HFF series dropped 1-48 basis points this month except for HFF34 which remained unchanged. Since the beginning of the year, the yield on HFF14 has risen 5.99% and HFF24 0.16%, respectively. During the same period, the yield on HFF34 has dropped 0.36% and HFF 0.19%.

The total turnover of HFF bonds reached approximately ISK 37.1 billion this month, compared to roughly ISK 55.7 billion in August 2012.

The Fund's amortization payments on HFF-bonds and other liabilities came to around ISK 7.7 billion this month, and prepaid mortgages amounted to ISK 1.2 billion.

### Additional Information on Defaults

From now on, HFF's monthly report will include a section on mortgage defaults. Information on defaults are important for the market since the Fund's loan portfolio includes 92.906 mortgages on 51.897 privately owned homes, and 8.497 properties owned by legal entities.

In the past, defaults on HFF mortgages have been significantly low. However, after the financial collapse in Fall 2008, mortgage defaults on privately owned homes rose from approximately 2% to 15%. At the end of September 2012, defaults amounted to ISK 5.06 billion on mortgages with a total value of ISK 95.4 billion, or 14.2% of the Fund's loan portfolio for privately owned homes. This is a 0.1% increase from the previous month, but 0.1% below the average default amount in 2012. 5.051 homes are in default, of that, 671 with payment suspensions. At the end of this month, 9.7% homes were in default. At the end of 2011, this number was 8.7%.

At the end of the month, defaults on mortgages to legal entities amounted to ISK 2.38 billion on mortgages with a total value of ISK 31 billion. This equals approximately 21% of all mortgages issued to legal entities, which is a decrease of 0.6% from the previous month and is 1.6% below the average default amount in 2012. The decrease in defaults this year is mostly because HFF has taken over a number of the mortgaged properties. Mortgages issued to legal entities account for 18.1% of the Fund's loan portfolio.

At the end of September, there were 2.774 privately owned homes in default in the Greater Reykjavik area, and 2.277 in default outside that area. Of the mortgage portfolio for the Greater Reykjavik area, 12.6% are in default, and for the portfolio outside that area, 17.2% are in default.

*Defaults are past due payments of 90 days and suspended mortgage payments.*

### HFF Auctions, Lending and Payments

Actual figures 2012	Forecast 3Q	Actual 3Q	Actual Jan-Sept 2012
HFF bond issuance (NV)	4 - 6	0	3,3
New HFF lending	7 - 9	3,9	11,5
HFF total payments	17 - 19	18,3	59,3

Revised forecast 2012	3Q	4Q	Total
HFF bond issuance (MV)	6 - 8	9 - 11	15 - 19
HFF bond issuance (NV)	4 - 6	6 - 8	10 - 14
New HFF lending	7 - 9	6 - 8	13 - 17
HFF total payments	17 - 19	20 - 22	37 - 41

HFF bond holders 31.09.12	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	3,1%	1,4%	1,7%	1,7%
Individuals	5,1%	5,1%	2,0%	1,4%
Foreign Investors	44,0%	3,5%	1,7%	0,6%
Other Corporations	8,8%	4,9%	4,1%	1,4%
Credit Institutions	16,2%	6,6%	4,1%	3,4%
Pension Funds	3,1%	47,9%	68,7%	81,1%
Securities and Investment Funds	18,0%	24,5%	14,5%	8,4%
Others	1,7%	6,0%	3,1%	1,9%
*	70,7	164,2	176,3	271,2

\*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 2012

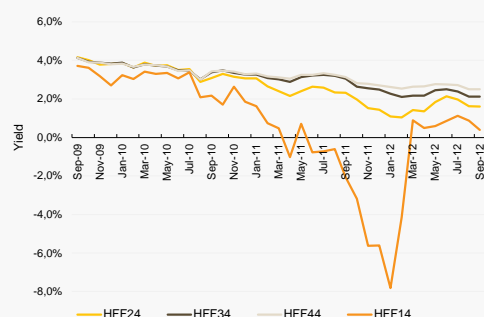
### Summary

- Mortgages for privately owned homes amounted to ISK 1.1 billion in September.
- New mortgages totaled 122.
- Total turnover on HFF bonds reached ISK 37 billion.
- Prepayments amounted to ISK 1.2 billion.
- Defaults on mortgages for privately owned homes have increased this year.
- 9,7 % of homes are in default.
- Amount in default is ISK 7.44 billion.
- Defaults are associated with 15,5% of the Fund's loan

### HFF Lending Rate

4,20% With a prepayment fee  
4,70% Without a prepayment fee

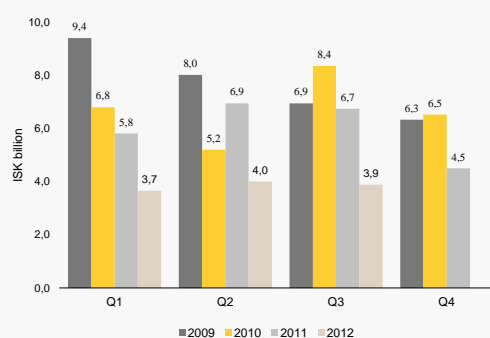
### Yield of HFF Bonds



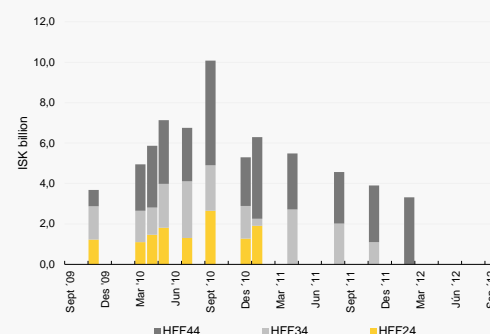
Series	July 2012	August 2012	Sept 2012	Duration	Face value	Outst.n. value
HFF14	1,12%	0,87%	0,39%	1,2	70,7	16,3
HFF24	1,96%	1,62%	1,60%	5,7	164,2	108,9
HFF34	2,38%	2,12%	2,12%	9,9	176,3	146,5
HFF44	2,71%	2,51%	2,50%	13,9	274,5	246,7

\*Yield on the last trading day of each month  
Duration (yrs) and class size (MISK) as of end of September '12  
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.

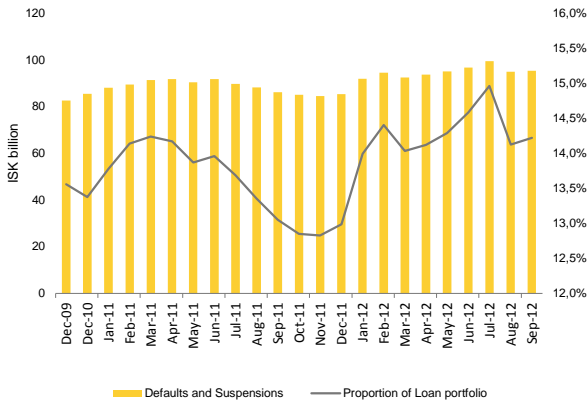
### Total Lending by Quarter



### HFF Bond Auctions



## Defaults and Suspensions of Individuals



## Defaults and Suspensions of Legal Entities

