

## Market developments

The Housing Financing Fund (HFF) issued ISK 980 million in mortgages this month. Of that amount ISK 940 million was for privately owned homes. In comparison, this amount was ISK 1.1 billion in December 2011. The average amount for privately owned homes this month came to ISK 10.3 million. In total, the issued amount for privately owned homes this year is ISK 12.9 billion, compared to ISK 21.5 billion in 2011.

The Fund issued a total of 1.314 mortgages for privately owned homes in 2012, compared to 2.153 in 2011.

Yields on HFF14, HFF24 and HFF44 declined 6 – 22 points this month, but HFF34 remained unchanged. In 2012, the yield on HFF14 increased by 6.39%, HFF24 by 0.60% and HFF44 by 0.01%. The yield on HFF34, however, declined by 0.14% this year.

The total turnover of HFF bonds reached ISK 23.3 billion this month, compared to ISK 61.5 billion in November 2012. The total turnover in 2012 amounted to ISK 627 billion, compared to ISK 685 billion in 2011.

The Fund's amortization payments on HFF-bonds and other liabilities came to ISK 11.8 billion this month, and prepaid mortgages amounted to ISK 1.3 billion.

## Defaults

The default ratio steadily decreased in the last 5 months of the year, after reaching a peak in July. This is positive progress and, hopefully, an indication of future development.

At the end of December, mortgage defaults of privately owned homes amounted to ISK 4.9 billion with an underlying value of ISK 89.4 billion which is 13.5% of HFF's loan portfolio on privately owned homes. This is a 0.1% decrease from last month with an underlying default amount at the end of the month being 0.3% higher than in December 2011. Homes in default numbered 4,733, and thereof homes with suspended mortgage payments 619. This means that 9.3% of homes with HFF mortgages were in default at the end of December 2012, which is 0.1% less than at the end of 2011.

At the end of the month, defaults on mortgages to legal entities amounted to ISK 2.6 billion with an underlying value of ISK 30.1 billion. 20.3% of the loan portfolio to legal entities was in default at the end of December, a decrease of 0.3% from the previous month and 0.2% below the average in 2011.

At the end of the December, 2,622 privately owned homes in the capital area were in default but 2,111 homes outside that area. Considering the underlying value; 12.1% of mortgages for privately owned homes were in default in the capital area, but 16.1% for privately owned homes outside that area. 14.7% of the Fund's loan portfolio is in default, or in payment suspension. This is comparable to December's 2011 ratio, 14.6%.

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

## Outstanding amount in the securities lending facility at the end of last month

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	1,9	0,4	1,6	0,9

## HFF Auctions, Lending and Payments

Actual figures 2012	Forecast 4Q	Actual 4Q	Actual Jan - Dec 2012
HFF bond issuance (NV)	6 - 8	0	3,3
New HFF lending	6 - 8	3,7	15,3
HFF total payments	20 - 22	21,2	80,5

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 30.11.12	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	7,6%	1,6%	1,8%	1,6%
Individuals	4,9%	4,5%	1,8%	1,3%
Foreign Investors	31,3%	2,6%	2,0%	1,0%
Other Corporations	8,2%	4,0%	3,4%	0,6%
Credit Institutions	16,4%	6,3%	4,5%	3,2%
Pension Funds	5,0%	48,9%	68,0%	81,9%
Securities and Investment Funds	24,2%	26,3%	14,9%	8,4%
Others	2,4%	5,7%	3,5%	2,0%
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 2012

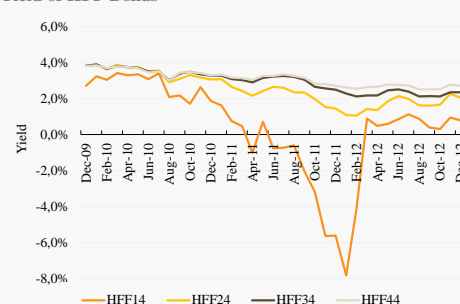
### Summary

- New mortgages for privately owned homes amounted to ISK 940 million in December.
- Prepayments amounted to ISK 1.3 billion.
- Privately owned homes in default decreased from last month.
- 9.3% of homes are in default.
- Total amount in default is ISK 7.55 billion, underlying loan amount equals 14.7% of loan portfolio.
- HFF's appropriated properties numbered 2.228

### HFF Lending Rate

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

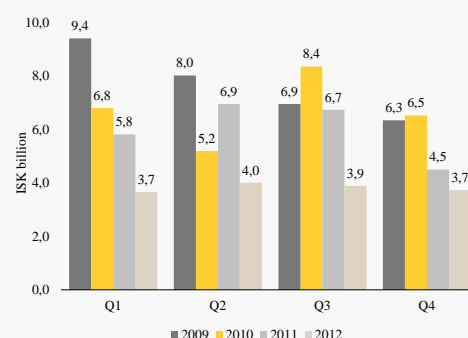
### Yield of HFF Bonds



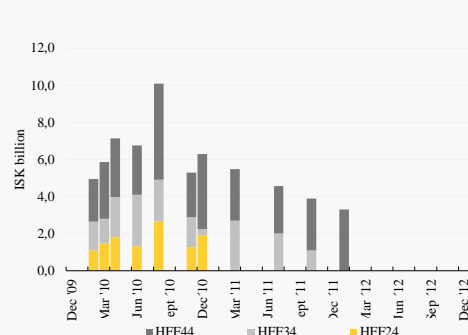
Series	Oct 2012	Nov 2012	Dec 2012	Dur- ation	Face value	Outst.n. value
HFF14	0,30%	0,95%	0,79%	1,0	70,0	16,2
HFF24	1,65%	2,25%	2,04%	5,5	164,0	108,7
HFF34	2,11%	2,35%	2,35%	10,0	175,3	143,5
HFF44	2,50%	2,77%	2,71%	13,5	273,1	243,4

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

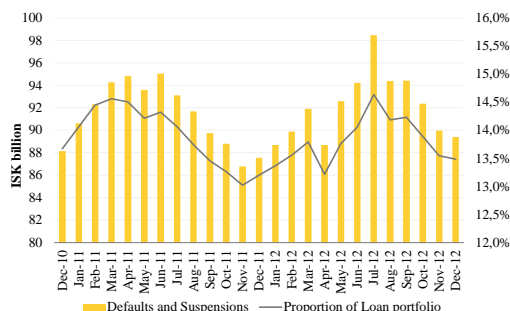
### Total Lending by Quarter



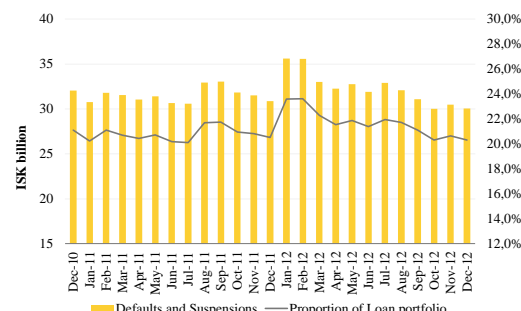
### HFF Bond Auctions



## Defaults and Suspensions of Individuals



## Defaults and Suspensions of Legal Entities



## HFF's Appropriated Property

### Portfolio

At the end of the year, HFF's appropriated properties throughout the country numbered 2,228, an increase of 35 from last month. Roughly half of HFF's appropriated properties, or 1,145, were previously owned by constructors, rental companies or other legal entities.

HFF owns a total of 1,538 properties in the Capital Area, the Southern Region and the Southern Peninsula. Of that total number, 743 are in the Southern Peninsula. HFF owns 224 properties in the Eastern Region and 126 in The Northeastern Region.

On December 31st, 903 properties throughout the country were being rented. Properties that are uninhabitable, in the building process, old or in poor condition, numbered 325. There are 769 properties in the process of being sold.

The table on the right exhibits the location of properties according to regions in addition to the present usage.

Most of the Fund's rental properties are being rented to families or individuals that occupied the properties when the Fund acquired them. The Fund is authorized to rent out its properties in the general market in areas experiencing a shortage of rental properties. Available rental properties are advertised on the main real estate websites and the allocation rules can be found on the Fund's website. Rental rates are based upon current market rates at any given time, relative to location, size, age, etc.

All real estate agencies throughout the country are permitted to sell HFF's properties and a contract between the agencies and HFF states the process in which this should be done.

Out of HFF's 2,228 properties which the Fund owned by the end of the year, 1,730 have so far either been rented, or are in the process of being sold. In addition to that, 498 properties await assessment. Many of them are in regions where there is a significant supply of property, for rent or sale.

HFF has sold 575 properties since the beginning of 2008.

### HFF's Property According to Regions and Status, 31.12.2012

	Rented	Empty	Uninhabitable	In process	Total 31.12.12	30.11.12
Capital Area	281	121	69	23	494	481
Southern Peninsula	252	336	137	18	743	725
Western Region	80	124	59	4	267	264
Westfjords	14	29	15	0	58	58
Northwestern Region	6	7	0	2	15	13
Northeastern Region	74	46	2	4	126	125
Eastern Region	72	137	12	3	224	224
Southern Region	124	142	31	4	301	303
<b>Total</b>	<b>903</b>	<b>942</b>	<b>325</b>	<b>58</b>	<b>2,228</b>	<b>2,193</b>
- Process of being sold	0	481	288	0	769	729
- Rented/other	903	0	0	58	961	944
<b>Total unoccupied/ in process</b>	<b>0</b>	<b>461</b>	<b>37</b>	<b>0</b>	<b>498</b>	<b>520</b>

### Sold properties

