

Market news

Total lending by the Housing Financing Fund (HFF) in November 2013 amounted to ISK 1.2bn, whereof ISK 946m were mortgages for privately owned homes. In comparison, in November 2012, these loans amounted to around ISK 1.3bn. The average amount of mortgages for privately owned homes was ISK 10.7m. The Fund has issued a total of 847 mortgages for privately owned homes this year, compared to 1,223 for the same period in 2012.

The Minister of Social Affairs and Housing has appointed Haukur F. Leósson as the Vice Chairman of the Fund's Board. Haukur is replacing Rósa Guðbjartsdóttir who asked to retire from the board of the HFF for personal reasons.

The yield of all classes of HFF bonds rose in November. The increase was 9–21 points. Since the beginning of the year, the yield of HFF14 has risen by 0.67%, that of HFF24 by 0.41%, that of HFF34 by 0.60 and HFF44 by 0.45%. The total turnover of HFF bonds amounted to ISK 28.9bn in November, as compared with ISK 29.8bn in October 2013. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 1.2bn in November. Prepayments amounted to ISK 1.8bn. The Fund published an announcement on 20 November for an additional call on HFF bonds due on 15 January 2014. A statement of the drawn bonds was published in the Official Gazette (Lögbirtingablaðið) on 15 November.

Development of defaulted loans

The number of households in arrears continued to fall in November. Their number has decreased by 23%, or 1,087 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 November, the amount of defaulted loans to individuals amounted to ISK 4.3bn, with the underlying loan value amounting to ISK 68.9bn or approximately 10.61% of HFF's loan portfolio to privately owned homes. This corresponds to a decrease of 1.17% from the previous month. There are 3,628 households currently in arrears, whereof 292 have had their loan payments deferred. A total of 7.32% of the households that have their property loans from HFF were in arrears with their loans at the end of November. The amount of defaulted loans to legal entities was ISK 4.5bn with an underlying loan value of ISK 33.9bn. Thus 22.57% of the Fund's loans to legal entities are connected to defaults, which is a 0.65% increase from the previous month. Defaults or loans with deferred payments are a total of 12.86% of the Fund's loan portfolio. The corresponding percentage in November 2012 was 14.84%.

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	0,6	1,0

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 4Q	Actual 4Q	Actual Jan-Nov
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	3,9	12,6
HFF total payments	0	10,2	71,3

HFF bond holders 30.11.2013	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	16,5%	1,5%	1,2%	0,9%
Individuals	4,2%	3,3%	1,4%	0,9%
Foreign Investors	9,8%	1,6%	1,7%	0,5%
Other Corporations	11,6%	4,3%	3,2%	0,5%
Credit Institutions	18,5%	5,7%	5,3%	3,2%
Pension Funds	4,8%	51,9%	68,5%	85,9%
Insurance Companies	5,1%	3,5%	1,9%	0,9%
Securities and Investment Funds	28,5%	25,9%	16,1%	6,7%
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.

November 2013

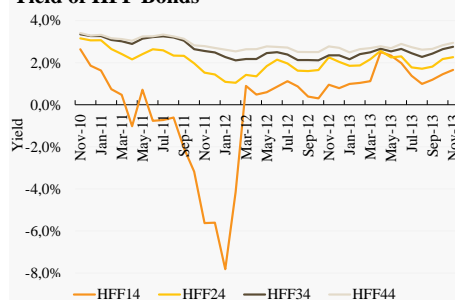
Summary

- New mortgages for privately owned homes amounted to ISK 946 million
- Prepayments amounted to ISK 1.8 billion
- Privately owned homes in arrears decreased from last month
- 7.32% of homes are in default
- Total amount in default is ISK 8.8 billion, underlying loan amount equals 12.86% of loan portfolio
- HFF's appropriated properties numbered 2,607, whereof 1,239 apartments are rented

HFF Lending Rate

4.20% fixed rate

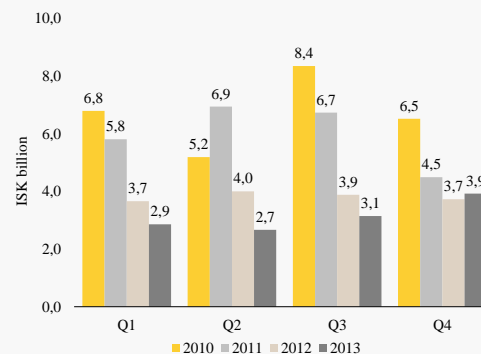
Yield of HFF Bonds



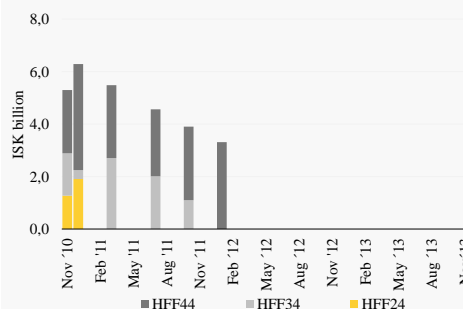
Series	Sept 2013	Oct 2013	Nov 2013	Duration	Face value	Outst.n.
HFF14	1,19%	1,45%	1,66%	0,5	70,0	8,2
HFF24	1,82%	2,17%	2,26%	5,0	164,0	101,0
HFF34	2,43%	2,64%	2,76%	9,4	175,3	139,1
HFF44	2,66%	2,83%	2,94%	13,0	273,1	241,4

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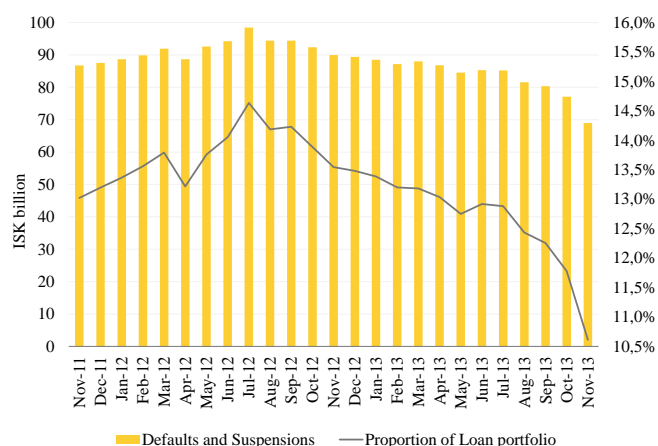
Total Lending by Quarter



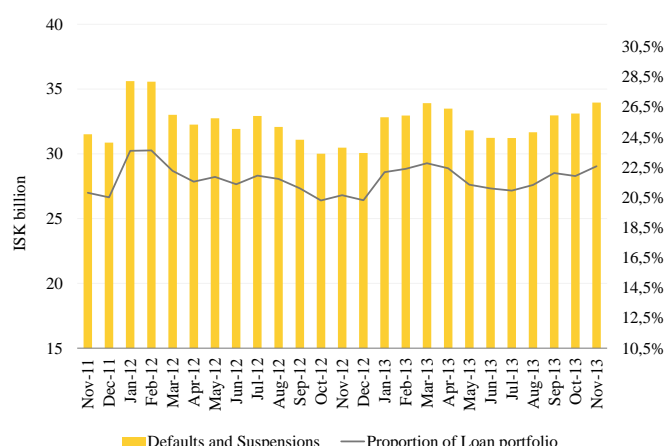
HFF Bond Auctions



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 2,607 appropriated assets throughout Iceland by the end of November. This number increased by 58 from the end of October.

Of this number, 1,239 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.

From the beginning of the year to the end of November, the HFF has sold 266 properties as opposed to 116 properties during the same period in 2012. In addition, purchase offers for 109 properties have been accepted and bidders are currently engaged in financing the purchases. The HFF has sold 841 properties since the beginning of 2008. Undergoing the sales process were 915 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, categorized 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 2,607 properties that the HFF owned at the end of November 2013, 2,219 properties have been rented or are undergoing the sales process or other procedures. A further 338 properties await assessment. Many of these are in areas where there is a surplus of properties for sale or rent.

HFF's Property According to Regions and Status, 31.11.2013

	Rented	Uninhabitable	In process	Total Nov '13	Total Oct '13
Capital Area	416	153	5	574	573
Southern Peninsula	314	400	125	839	811
Western Region	108	134	37	279	282
Westfjords	9	45	15	69	69
Northwestern Region	6	10	0	16	18
Northeastern Region	96	62	1	159	164
Eastern Region	121	113	11	245	263
Southern Region	169	164	28	361	369
Total	1,239	1,081	222	2,542	2,549
- Process of being sold	0	748	167	915	875
- Rented/other	1,239	0	0	1,239	1,250
Total unoccupied/ in process	0	333	55	388	424

Sold properties

