

Market news

Total lending by the Housing Financing Fund (HFF) in November 2014 amounted to ISK 639m, whereof were 339m mortgages for privately owned homes. In comparison, in November 2013, these loans amounted to ISK 946m. The average amount of mortgages for privately owned homes was ISK 10m.

The yield of class HFF24 bonds decreased in November by 4 points. The yield of class HFF34 decreased by 5 points and HFF44 by 14 points. HFF14 expired in September and is now all paid up. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 424m in November. Prepayments amounted to ISK 1.8bn compared to 2.3bn in October.

Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of November, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 51bn or approximately 8.26% of HFF's loan portfolio to privately owned homes, compared to 10.61% in November last year. There are 2,574 households currently in arrears, whereof 118 have had their loan payments deferred. A total of 5.49% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 7.32% in November 2013.

The amount of defaulted loans to legal entities was ISK 3.6bn with an underlying loan value of ISK 25.9bn. Thus 17.38% of the Fund's loans to legal entities are connected to defaults. Defaults or loans with deferred payments are a total of 10.03% of the Fund's loan portfolio. The corresponding percentage in November 2013 was 12.86%.

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 Nov.

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,0	0,5	1,8

HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 4Q	Actual 4Q	Actual Jan-Nov
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,9	6,8
HFF total payments	0	9,1	72,4

HFF bond holders	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	0,0%	2,2%	0,3%	0,2%
Individuals	0,0%	3,1%	1,1%	0,8%
Foreign Investors	0,0%	1,3%	1,0%	1,0%
Other Corporations	0,0%	4,7%	3,1%	0,7%
Credit Institutions	0,0%	6,4%	5,2%	2,9%
Pension Funds	0,0%	54,1%	72,8%	88,6%
Insurance Companies	0,0%	4,1%	1,7%	0,7%
Securities and Investm. Funds	0,0%	22,0%	14,2%	4,7%
Others	0,0%	2,1%	0,6%	0,6%
Nominal Value	0,0	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 2014

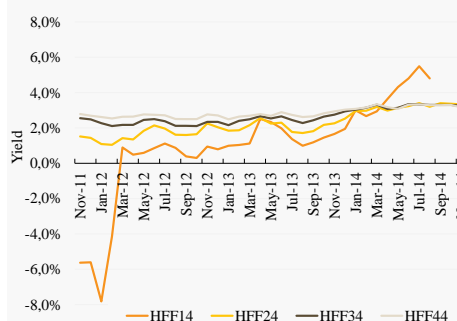
Summary

- New mortgages for privately owned homes amounted to ISK 339 million
- Prepayments amounted to ISK 1.8 billion
- Privately owned homes in arrears increased from last month
- 5.49% of homes are in arrears
- Total amount in default is ISK 8.1 billion, underlying loan amount equals 10.03% of loan portfolio
- HFF's appropriated properties numbered 1,965 whereof 896 apartments are rented

HFF Lending Rate

4.20% fixed rate

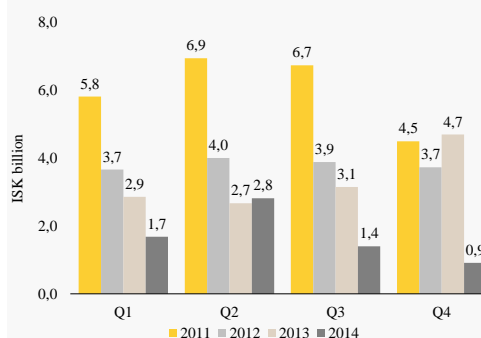
Yield of HFF Bonds



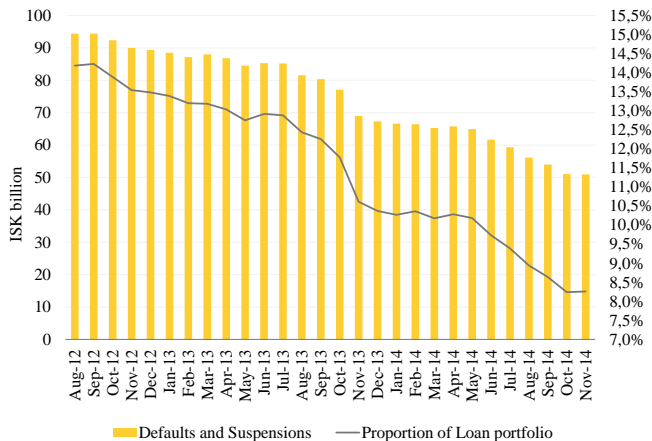
Series	Sep 2014	Okt 2014	Nov 2014	Duration	Face value	Outst.n. value
HFF14	4,81%	0,00%	0,00%	0,0	0,0	0,0
HFF24	3,20%	3,40%	3,37%	4,5	164,0	93,0
HFF34	3,30%	3,30%	3,31%	8,9	175,3	136,8
HFF44	3,29%	3,29%	3,30%	12,6	273,1	237,1

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of November '14
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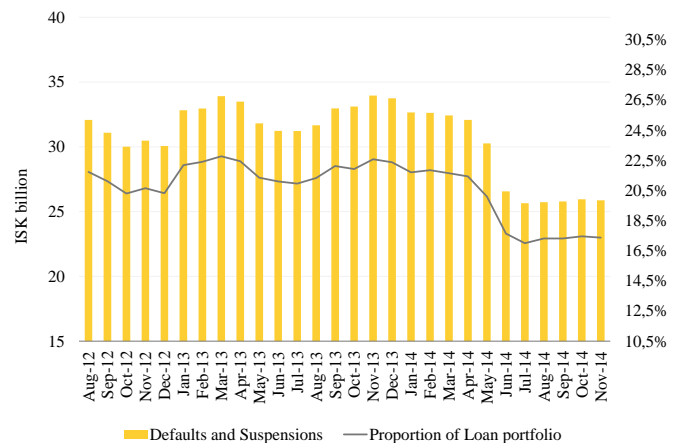
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,965 appropriated assets throughout Iceland by the end of November, with a decrease in assets about 19 from last month. Over the month the fund sold 45 properties and 26 appropriated assets were added to the HFF's portfolio. Overall 356 appropriated assets have been added since the beginning of the year.

The HFF has sold 966 properties this year. As opposed to 270 properties for the same period in 2013. In addition, purchase offers for 101 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 989 properties, most of which are already available for purchase others are going through sales registration. The HFF has 400 assets in a special sales process where they will be sold in 7 assets portfolios. These assets are located in the Westfjords, North Region, Eastern Region, Southern Region, Sth. Peninsula and in the Capital Area. The sale process is estimated to finish late December 2014 and processing and contracting with buyers in January 2015.

A number of 896 apartment were rented throughout the country. The vast majority were rented to families and individuals who resided in the properties when the HFF acquired them. Approximately 75% of the recently added appropriated assets will be rented out in the same manner. In addition 450 apartments are rented through the rental company Klettur thus altogether there are 1,436 rental apartments with affiliation to the HFF.

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 vast majority were rented to families and individuals who resided in the properties when the HFF acquired them.

The table to the right contains an overview of the location of properties, categorized according to regions and their use/disposal. Of the 1,965 properties that the HFF owned at the end of November 2014, 1,907 properties have been rented or are undergoing the sales process or other procedures. A further 58 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 30.11.2014

	For sale	Rented	Empty	Uninhabitable	In process	Total Nov'14	Total Okt'14
Capital Area	80	257	3	2	8	350	358
Sth. Peninsula	436	352	8	0	5	801	805
Western Region	133	72	14		3	222	224
Westfjords	52	8	4		1	65	65
Northw. Region	15	2	2		0	19	19
Northe. Region	46	41	3	0	1	91	95
Eastern Region	90	80	16		1	187	188
Southern Region	137	84	4	2	3	230	230
Total	989	896	54	4	22	1,965	1,984

Sold properties

