

Market news

Total lending by the Housing Financing Fund (HFF) in July 2014 amounted to ISK 659m, whereof ISK 520m were mortgages for privately owned homes. In comparison, in July 2013, these loans amounted to ISK 796m. The average amount of mortgages for privately owned homes was ISK 11.8m.

On 22 July Standard & Poor's lowered its long-term ratings on HFF from BB to BB- with stable outlook. In the beginning of July EFTA Surveillance Authority decided to close its investigation into the matters of the Housing Financing Fund and accept the changes to the operation of the fund.

The yield of HFF14, HFF24 and HFF44 rose in July. The increase was 1–69 points. The yield of HFF34 declined by 2 points. The total turnover of HFF bonds amounted to ISK 7.7bn this month, compared to ISK 11.6bn in July 2014.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 352m in July. Prepayments amounted to ISK 2.7bn compared to 2.1bn in June.

Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of July, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 59.3bn or approximately 9.39% of HFF's loan portfolio to privately owned homes, compared to 12.88% in July last year. There are 3,034 households currently in arrears, whereof 176 have had their loan payments deferred. A total of 6.35% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 8.95% in July 2013.

The amount of defaulted loans to legal entities was ISK 3.3bn with an underlying loan value of ISK 25.6bn. Thus 17.00% of the Fund's loans to legal entities are connected to defaults. This is a 65 basis points decrease from the previous month when this default ratio was 17.00%.

Defaults or loans with deferred payments are a total of 10.85% of the Fund's loan portfolio. The corresponding percentage in July 2013 was 14.37%.

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 July

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

HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 3Q	Actual 3Q	Actual Jan-July
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,7	5,2
HFF total payments	0	0,4	44,5

HFF bond holders 31.07.2014	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	29,2%	3,7%	0,3%	0,2%
Individuals	3,8%	2,7%	0,9%	0,8%
Foreign Investors	8,7%	1,3%	1,0%	1,0%
Other Corporations	15,8%	4,8%	3,3%	0,7%
Credit Institutions	17,4%	7,4%	5,6%	2,9%
Pension Funds	4,9%	50,8%	71,1%	88,1%
Insurance Companies	3,4%	3,9%	1,7%	0,7%
Securities and Investm. Funds	16,4%	23,2%	15,4%	5,1%
Others	0,3%	2,2%	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.

July 2014

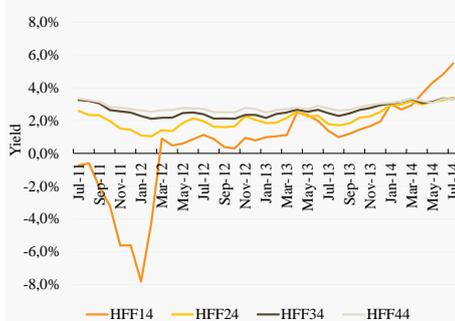
Summary

- New mortgages for privately owned homes amounted to ISK 520 million
- Prepayments amounted to ISK 2.7 billion
- Privately owned homes in arrears decreased from last month
- 6.35% of homes are in arrears
- Total amount in default is ISK 7.7 billion, underlying loan amount equals 10.85% of loan portfolio
- HFF's appropriated properties numbered 2,091 whereof 947 apartments are rented

HFF Lending Rate

4.20% fixed rate

Yield of HFF Bonds



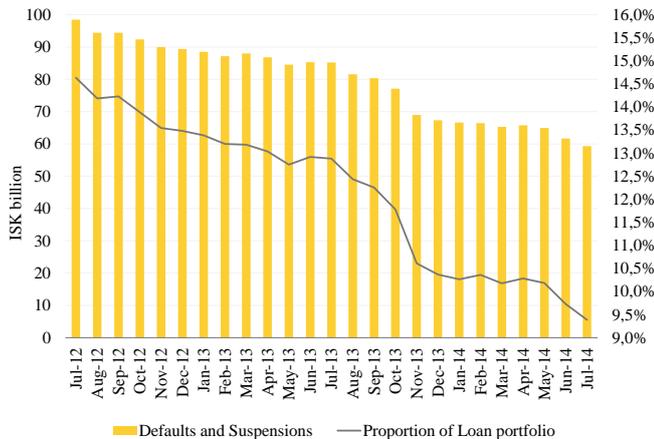
Series	May 2014	Jun 2014	Jul 2014	Duration	Face value	Outst.n. value
HFF14	4,31%	4,80%	5,49%	0,1	70,0	4,2
HFF24	3,14%	3,23%	3,41%	4,5	164,0	97,0
HFF34	3,14%	3,35%	3,33%	8,9	175,3	136,8
HFF44	3,08%	3,32%	3,33%	12,7	273,1	237,1

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of July'14
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.

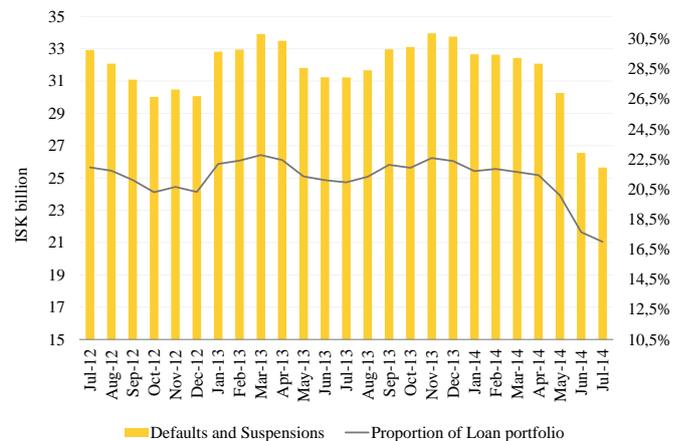
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 2,091 appropriated assets throughout Iceland by the end of July. This number increased by 37 from the end of June. In July the fund sold 53 properties. A total of 90 properties were added to the HFF's portfolio, thereof 23 appropriated assets. Overall 255 appropriated assets have been added since the beginning of the year.

The HFF has sold 769 properties this year. As opposed to 127 properties for the same period in 2013. In addition, purchase offers for 127 properties have been accepted and bidders are currently engaged in financing the purchases. In total the HFF has sold 1,652 properties since the beginning of 2008.

Undergoing the sales process were 981 property, most of which are already available for purchase others are going through sales registration. A number of 947 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 1,397 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 2,091 properties that the HFF owned at the end of July 2014, 1,928 properties have been rented or are undergoing the sales process or other procedures. A further 163 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.07.2014

	For sale	Rented	Empty	Uninhabitable	In process	Total Jul'14	Total Jun'14
Capital Area	94	265	14	2	11	386	380
Sth. Peninsula	411	373	38	10	9	841	797
Western Region	136	75	18		2	231	232
Westfjords	53	14	2		1	70	71
Northw. Region	14	2	3		2	21	21
Northe. Region	57	46	1	3	3	110	108
Eastern Region	82	82	23		1	188	182
Southern Region	134	90	11	3	6	244	263
Total	981	947	110	18	35	2,091	2,054

Sold properties

