

## Market news

Total lending by the Housing Financing Fund (HFF) in June 2014 amounted to ISK 905m, whereof ISK 417 were mortgages for privately owned homes. In comparison, in June 2013, these loans amounted to ISK 708m. The average amount of mortgages for privately owned homes was ISK 10.4m.

On June 30th, HFF signed agreements regarding market making in the secondary market and HFF bond issuance. As of July 1st, 2014, four financial institutions are authorized to refer to themselves as primary dealers with HFF bonds. These are; Arion banki, Íslandsbanki, Landsbankinn and MP banki.

In June, Haukur F. Leósson, Alternate Chairman of the Board of Directors and Margrét Rósa Sigurðardóttir, Alternate Member of the Board of Directors asked to retire from the board of the HFF for personal reasons. The Minister of Social Affairs and Housing will appoint replacements as soon as possible.

On June 13th, Moody's affirmed the Fund's Ba1 ratings with a stable outlook.

The yield of all classes of HFF bonds rose in June. The increase was 10-49 basis points. The yield of HFF14 rose by 49 bp, that of HFF24 by 10 bp, that of HFF34 by 21 bp and HFF44 by 24 bp. The total turnover of HFF bonds amounted to ISK 11.6bn this month, compared to ISK 17.8bn in May 2014. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 12.3bn in June. Prepayments amounted to ISK 2.1bn compared to 2.3bn in May.

## Development of defaulted loans

The proportion of the underlying loan value of individuals in arrears decreased from the previous month. By the end of June, the amount of defaulted loans to individuals amounted to ISK 4.4bn, with the underlying loan value amounting to ISK 61.7bn or approximately 9.73% of HFF's loan portfolio to privately owned homes, compared to 12.92% in June last year. There are 3,225 households currently in arrears, whereof 182 have had their loan payments deferred. A total of 6.73% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 9.04% in June 2013.

The amount of defaulted loans to legal entities was ISK 3.3bn with an underlying loan value of ISK 26.6bn. Thus 17.65% of the Fund's loans to legal entities are connected to defaults. This is a 245 basis points decrease from the previous month when this default ratio was 20.10%. Defaults or loans with deferred payments are a total of 11.25% of the Fund's loan portfolio. The corresponding percentage in June 2013 was 14.42%.

*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 last month

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,0	0,1	1,7

## HFF Auctions, Lending and Payments

Actual figures 2014	Forecast 2Q	Actual 2Q	Actual Jan-June
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	2,8	4,5
HFF total payments	0	21,7	44,1

HFF bond holders 30.06.2014	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	27,5%	3,0%	0,5%	0,3%
Individuals	3,8%	2,7%	0,9%	0,8%
Foreign Investors	8,7%	1,3%	1,0%	1,0%
Other Corporations	15,8%	4,9%	3,3%	0,7%
Credit Institutions	17,4%	7,4%	5,5%	2,9%
Pension Funds	4,9%	50,9%	70,7%	88,1%
Insurance Companies	3,4%	3,9%	1,7%	0,6%
Securities and Investm. Funds	18,1%	23,7%	15,7%	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.

## June 2014

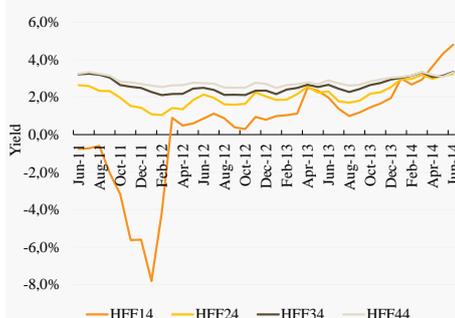
### Summary

- New mortgages for privately owned homes amounted to ISK 417 million
- Prepayments amounted to ISK 2.1 billion
- Privately owned homes in arrears decreased from last month
- 6.73% of homes are in arrears
- Total amount in default is ISK 7.7 billion, underlying loan amount equals 11.25% of loan portfolio
- HFF's appropriated properties numbered 2,054 whereof 918 apartments are rented

### HFF Lending Rate

4.20% fixed rate

### Yield of HFF Bonds



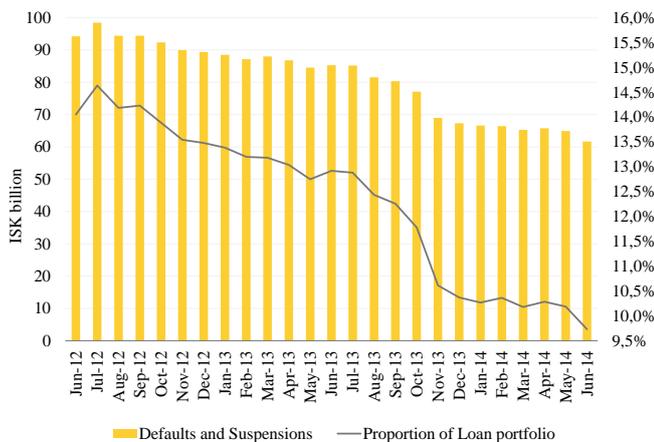
Series	Apr 2014	May 2014	Jun 2014	Duration	Face value	Outst.n. value
HFF14	3,64%	4,31%	4,80%	0,2	70,0	4,2
HFF24	2,98%	3,14%	3,23%	4,6	164,0	97,0
HFF34	3,08%	3,14%	3,35%	9,0	175,3	136,8
HFF44	3,18%	3,08%	3,32%	12,8	273,1	237,1

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

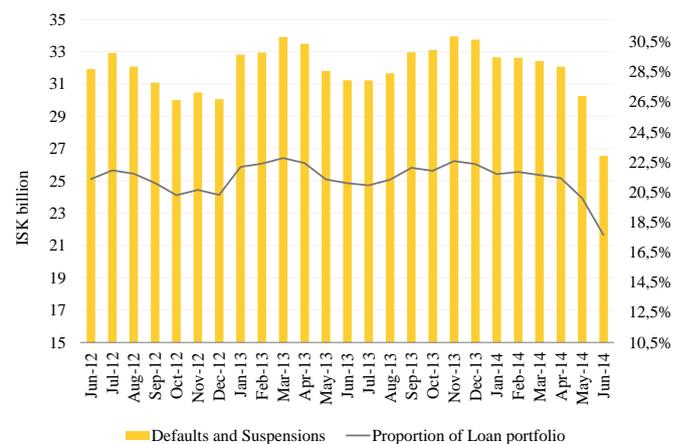
### Total Lending by Quarter



## Individuals - Defaults and Suspensions



## Legal Entities - Defaults and Suspensions



## HFF's Appropriated Property

### Property portfolio

The HFF owned 2,054 appropriated assets throughout Iceland by the end of June. This number decreased by 42 from the end of May. In June the fund sold 72 properties and a number of 30 appropriated assets were added to the HFF's portfolio, overall 232 appropriated assets have been added since the beginning of the year.

In the first six months of the year the HFF sold 783 properties. As opposed to 113 properties for the same period in 2013. In addition, purchase offers for 209 properties have been accepted and bidders are currently engaged in financing the purchases. In total the HFF has sold 1,666 properties since the beginning of 2008.

Undergoing the sales process were 1,011 properties, most of which are already available for purchase others are going through sales registration. A number of 918 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.

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 2,054 properties that the HFF owned at the end of June 2014, 1,953 properties have been rented or are undergoing the sales process or other procedures. A further 101 property await assessment, most of which will go into sales process.

### HFF's Property According to Regions and Status, 30.06.2014

	For sale	Rented	Empty	Uninhabitable	In process	Total Jun'14	Total May'14
Capital Area	93	269	7	2	9	380	379
Sth. Peninsula	421	347	17	7	5	797	824
Western Region	137	76	18		1	232	253
Westfjords	53	12	5		1	71	73
Northw. Region	14	3	2		2	21	21
Northe. Region	57	44	2		2	108	105
Eastern Region	80	74	26		2	182	177
Southern Region	156	93	9	3	2	263	264
<b>Total</b>	<b>1.011</b>	<b>918</b>	<b>86</b>	<b>15</b>	<b>24</b>	<b>2.054</b>	<b>2.096</b>

### Sold properties

