

Market developments

The Housing Financing Fund (HFF) issued ISK 1.1 billion in mortgages this month. Of that amount, ISK 900 million was for privately owned homes. In comparison, this amount was approximately ISK 1.4 billion in August 2012. The average amount for privately owned homes came to ISK 11 million.

The 2013 interim financial statements of HFF were published on August 30th. The operating results of the period were negative to the tune of ISK 2.978 million, compared to ISK 3.109 million in losses during the same period last year. HFF's equity at the end of the period was ISK 11.720 million, compared to ISK 14.699 million at year-end 2012. At present, the Fund's equity ratio, calculated according to the provisions of Regulation No. 544/2004 on the Housing Financing Fund, is 2.5%, compared to 3.2% at the beginning of the year. The ratio is calculated in the same manner as the equity ratio of financial undertakings. The Fund's long-term goal is to keep the ratio above 5.0%, and discussions with the authorities are aimed at fulfilling the provisions of the Regulation.

Yields for all HFF bonds declined this month, by 6-38 points. So far this year, yields on HFF34 increased 0.12% and HFF44 0.13%. HFF44 remained unchanged but HFF24 declined 0.14%. The total turnover of HFF bonds reached ISK 28.4 billion this month, compared to ISK 30.4 billion last month. The Fund's amortization payments on HFF bonds and other liabilities came to ISK 10.6 billion, and prepaid mortgages amounted to ISK 1.4 bn.

Defaults

The number of homes in default continued to decline in August. So far this year, the number of homes in default has dropped approximately 10%, or by 420 homes. The ratio of the underlying mortgage value associated with privately owned homes also continued to drop. At the end of the month, mortgage defaults associated with privately owned homes came to ISK 4.7 billion with an underlying value of ISK 81.5 billion, or approximately 12.43% of HFF's loan portfolio on privately owned homes. This is a 0.45% decrease from the previous month. Homes in default numbered 4,291, thereof 638 homes with suspended mortgage payments. This means that 8.59% of homes with HFF mortgages were in default at the end of August 2013. At the end of the month, defaults on mortgages to legal entities amounted to ISK 4.1 billion with an underlying value of ISK 31.7 billion. Hence, 21.33% of the loan portfolio to legal entities was in default, an increase of 0.38% from the previous month. Defaults or payment suspensions amounted to 14.08% of the Fund's portfolio, compared to 15.56% in August of last year.

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

Outst. amount in the securities lending facility at the end of last month

Series	HFF14	HFF24	HFF34	HFF44
Outstanding amount (NV)	1,8	0,7	0,3	0,6

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 3Q	Actual 3Q	Actual Jan-Aug
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	2,2	7,8
HFF total payments	0	11,0	53,2

HFF bond holders 31.8.2013	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	14,8%	2,1%	0,7%	0,8%
Individuals	4,2%	3,3%	1,4%	0,9%
Foreign Investors	13,2%	1,8%	1,8%	0,6%
Other Corporations	11,6%	4,3%	3,3%	0,5%
Credit Institutions	22,0%	6,1%	5,5%	3,3%
Pension Funds	4,1%	52,5%	68,2%	85,2%
Insurance Companies	5,1%	3,7%	1,9%	1,0%
Securities and Investment Funds	24,2%	24,1%	16,4%	7,0%
Others	0,7%	2,1%	0,8%	0,7%
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.

August 2013

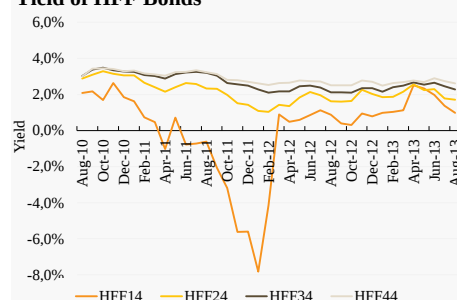
Summary

- New mortgages for privately owned homes amounted to ISK 900 million
- Prepayments amounted to ISK 1.4 billion
- Privately owned homes in default decreased from last month
- 8,6% of homes are in default
- Total amount in default is ISK 8.8 billion, underlying loan amount equals 14.1% of loan portfolio
- HFF's appropriated properties numbered 2.575

HFF Lending Rate

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

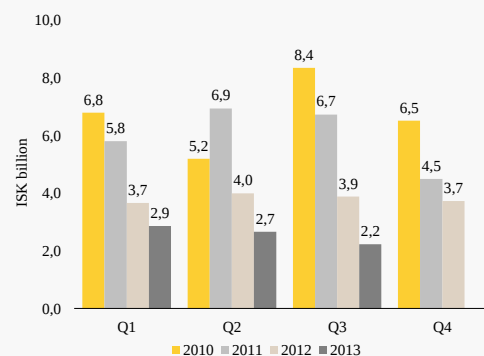
Yield of HFF Bonds



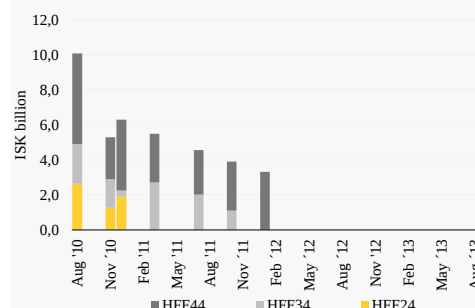
Series	June 2013	July 2013	August 2013	Duration	Face value	Outst.n. value
HFF14	1,98%	1,37%	0,99%	0,5	70,0	12,2
HFF24	2,30%	1,77%	1,71%	5,3	164,0	101,0
HFF34	2,66%	2,45%	2,28%	9,6	175,3	141,3
HFF44	2,89%	2,74%	2,62%	13,5	273,1	241,4

*Yield on the last trading day of each month
Duration (yrs) and class size (MISK) as of end of August '13
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.

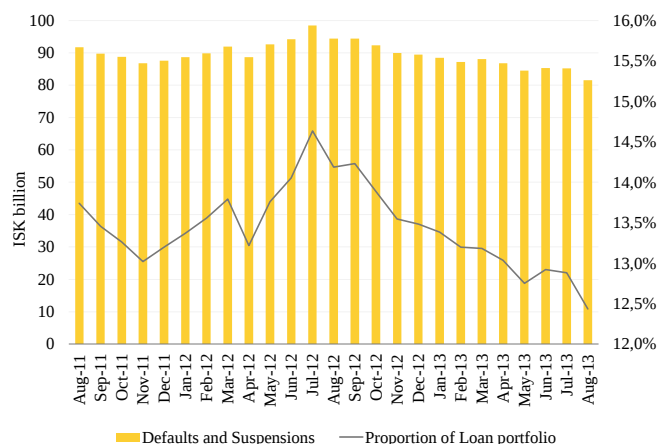
Total Lending by Quarter



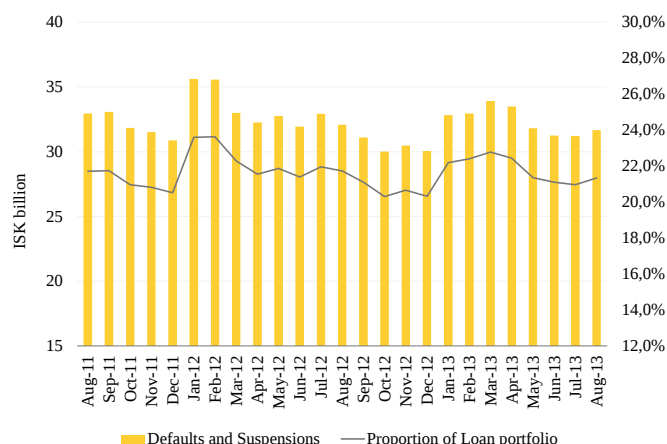
HFF Bond Auctions



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Portfolio

HFF's appropriated properties throughout the country totaled 2.575 in August, compared to 2.578 in July.

A total of 1.195 were being rented throughout the country, most of them to families or persons that occupied the property when acquired by the Fund. The Fund is also authorized to rent out its properties in the general market in areas experiencing a shortage of rental properties. The Fund has increased its available rental properties by approximately 320 in the past year, making property that was previously uninhabited, also available for rent.

The Fund emphasizes renting its available properties. Recently, 30 available properties have been advertised for rent, and at the end of September another 35-40 will be advertised. Additionally, the Fund is working on renting out 60 more which will be advertised in October and November.

Property sales were more successful this year than in 2012. The Fund has sold 141 properties so far, considerably more than in all of 2012. Over the same period last year, 93 properties were sold. Since the beginning of 2008, the Fund sold a total of 716. Of the Fund's properties, 882 were in the process of being sold, either in the registration process or already for sale, and 281 were uninhabitable: 210 were in the building process, hence, unavailable. The table on the right exhibits the location of properties according to regions in addition to present usage.

All real estate agencies in Iceland are permitted to sell the Fund's properties. A contract between the agencies and the Association of Real Estate Agents is currently in effect, stating guidelines regarding the sales process. Rental rates are based on market rates, similar properties, location, size, age, etc.

Out of HFF's 2.575 properties which the Fund owned at the end of August, 2.114 have so far either been rented, or are in the process of being sold. Additionally, 461 await assessment. Many of them are located in regions where there is a considerable oversupply of property for rent and/or sale.

HFF's Property According to Regions and Status, 31.8.2013

	Uninhabit-able		In process	Total Aug '13	Total July '13
	Rented	Empty			
Capital Area	386	137	62	15	600
Southern Peninsula	295	390	125	4	814
Western Region	105	132	37	4	278
Westfjords	15	43	15	1	74
Northwestern Region	7	11	0	1	19
Northeastern Region	102	59	1	3	165
Eastern Region	115	134	11	3	263
Southern Region	170	156	30	6	362
Total	1.195	1.062	281	37	2.575
- Process of being sold	0	640	242	0	882
- Rented/other	1.195	0	0	37	1.232
Total unoccupied/ in process	0	422	39	0	461

Sold properties

