

Market developments

The Housing Financing Fund (HFF) issued ISK 960 million in mortgages this month. Of that amount, ISK 710 million was for privately owned homes. In comparison, this amount was approximately ISK 1.3 billion in June 2012. The average amount for privately owned homes this month came to ISK 10.1 million.

On June 28th, HFF signed agreements regarding market making in the secondary market and HFF bond issuance. The aim is to enhance HFF's access to funding in the capital markets and strengthen price formation in the secondary market. As of July 1st, 2013, four financial institutions are authorized to refer to themselves as primary dealers with HFF bonds. These are; Arion banki, Íslandsbanki, Landsbankinn and MP banki.

Yields for HFF24, HFF34 and HFF44 rose 5-21 points this month. HFF14, however, declined 35 points. So far this year, HFF14 has risen 1.19%, HFF24 0.26%, HFF34 0.31% and HFF 0.19%.

The total turnover of HFF bonds reached ISK 32.2 billion this month, compared to ISK 38.1 billion last month.

The Fund's amortization payments on HFF-bonds and other liabilities came to ISK 12.1 billion this month, and prepaid mortgages amounted to ISK 1.1 bn.

Defaults

At the end of June, the default ratio for mortgages on privately owned homes had declined 1.72%, after reaching a peak in July 2012.

At the end of the month, mortgage defaults associated with privately owned homes came to ISK 4.9 billion with an underlying value of ISK 85.3 billion, or approximately 12.92% of HFF's loan portfolio on privately owned homes. This is a 0.17% increase from the previous month, with an underlying default amount being 1.13% lower than in June 2012. Homes in default numbered 4,549, thereof 627 homes with suspended mortgage payments. This means that 9,04% of homes with HFF mortgages were in default at the end of June 2013.

At the end of the month, defaults on mortgages to legal entities amounted to ISK 3,0 billion with an underlying value of ISK 31.1 billion. Hence, 21.10% of the loan portfolio to legal entities was in default, a decrease of 0.26% from the previous month, and 0.29% lower than at the end of June 2012.

Defaults or payment suspensions amounted to 14.42% of the Fund's portfolio, compared to 15.39% in June 2012.

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)	1,9	0,0	0,8	0,6

HFF Auctions, Lending and Payments

Actual figures 2013	Forecast 2Q	Actual 2Q	Actual Jan-June
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	2,7	5,5
HFF total payments	0	21,8	42,2

HFF bond holders 30.6.2013	HFF14	HFF24	HFF34	HFF44
Banks and Savings banks	17,5%	3,2%	1,3%	1,0%
Foreign Investors	13,4%	1,8%	1,8%	0,6%
Other Corporations	9,8%	3,5%	3,2%	0,5%
Credit Institutions	21,7%	6,4%	5,0%	3,3%
Pension Funds	4,2%	52,3%	68,0%	85,1%
Securities and Investment Funds	24,9%	23,5%	16,5%	6,8%
Others	4,2%	5,9%	2,6%	1,8%
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 2013

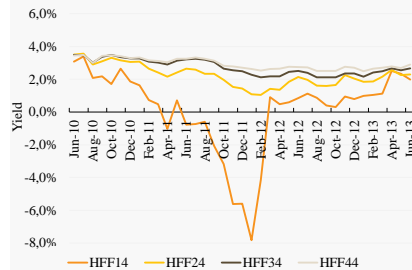
Summary

- New mortgages for privately owned homes amounted to ISK 710 million
- Prepayments amounted to ISK 1.1 billion
- Privately owned homes in default increased remotely from last month
- 9% of homes are in default
- Total amount in default is ISK 7.9 billion, underlying loan amount equals 14.4% of loan portfolio
- HFF's appropriated properties numbered 2.543

HFF Lending Rate

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

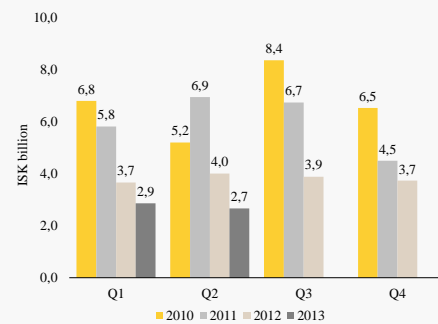
Yield of HFF Bonds



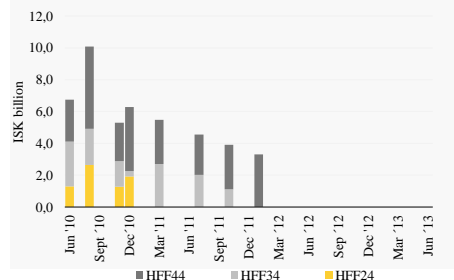
Series	Apr 2013	May 2013	June 2013	Duration	Face value	Outst.n.
HFF14	2,51%	2,33%	1,98%	0,7	70,0	12,2
HFF24	2,56%	2,25%	2,30%	5,1	164,0	104,9
HFF34	2,66%	2,54%	2,66%	9,6	175,3	141,3
HFF44	2,78%	2,69%	2,89%	13,5	273,1	241,4

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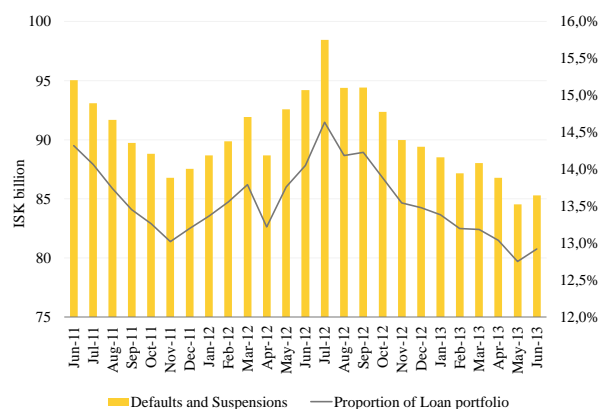
Total Lending by Quarter



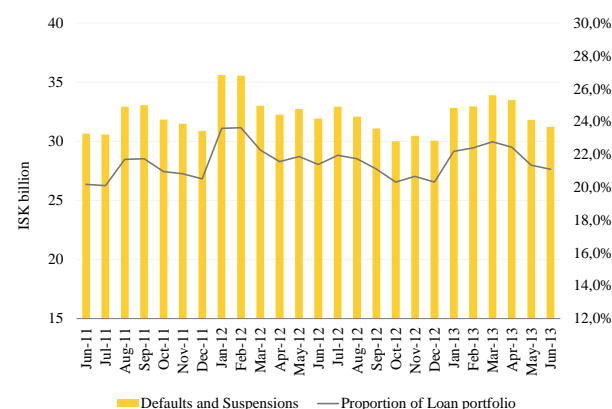
HFF Bond Auctions



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Portfolio

At the end of June, HFF's appropriated properties throughout the country totaled 2,543, an increase of 34 since last month. Roughly half of these properties previously belonged to construction builders, rental associations or other legal entities.

A total of 1,164 properties were being rented throughout the country, most of them to families or individuals 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.

A total of 284 properties were uninhabitable; most of them in the building process, and some old or in poor condition. However, uninhabitable properties are considerably fewer than last month.

878 properties were in the process of being sold, either already for sale or in the registration process. The table on the right exhibits the location of properties according to regions in addition to present usage.

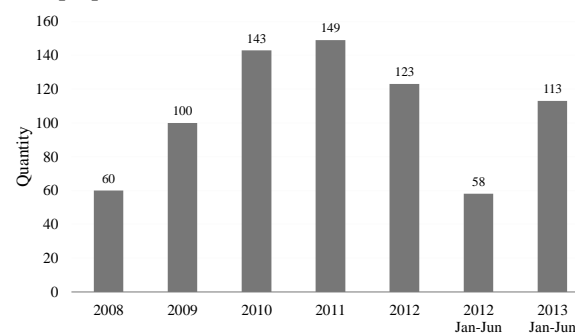
Since the beginning of the year, the Fund has sold 113 properties, compared to 58 during the same time last year. A total of 688 have been sold since the beginning of 2008.

Out of HFF's 2,543 properties which the Fund owned by the end of June, 2,123 have so far either been rented, or are in the process of being sold. Additionally, 420 properties await assessment. Many of them are located in regions where there is a significant supply of property, for rent and/or sale.

HFF's Property According to Regions and Status, 30.6.2013

	Rented	Empty	Uninhabitable	In process	Total June '13	Total May '13
Capital Area	366	135	64	16	581	575
Southern Peninsula	306	368	125	14	813	814
Western Region	101	131	37	5	274	270
Westfjords	16	42	15	1	74	74
Northwestern Region	8	10	0	1	19	19
Northeastern Region	97	56	2	7	162	155
Eastern Region	112	133	11	3	259	256
Southern Region	158	150	30	23	361	346
Total	1,164	1,025	284	70	2,543	2,509
- Process of being sold	0	642	247	0	889	858
- Rented/other	1,164	0	0	70	1,234	997
Total unoccupied/ in process	0	383	37	0	420	654

Sold properties



Facts regarding HFF's operating results 1999 – 2012

Due to recent coverage regarding HFF's operating results following the report of the Althingi Special Investigation Commission, HFF would like to stress the following facts: From the founding of HFF in 1999 until year end 2012 the accumulated total operating loss is ISK 41 billion. If yearly operating income is forward calculated to year end 2012, the total loss is ISK 41.6 billion. The financial statements of the HFF are prepared in accordance with International Financial Reporting Standards (IFRS). The risk management of the Fund involves calculating the weighted average financing cost of prepaid loans and loans prepaid due to appropriated assets into new lending rates. Thus any loss in interest margin of prepaid loans until the beginning of 2012 has been eliminated.