

Market news

Total lending by the Housing Financing Fund (HFF) in October 2015 amounted to ISK 444m, all of which were mortgages for privately owned homes. In comparison, in October 2014, these loans amounted to ISK 273m. The average amount of mortgages for privately owned homes was ISK 13.1m.

The Housing Financing Fund (HFF) and the Central Banks subsidiary, ESI ehf., signed on October 23rd, an agreement to the effect that the HFF purchases asset-backed bonds from ESI ehf. amounting to a total of ISK 70bn. The bonds in question are secured by mortgage loans issued by Arion Bank hf. The agreement is, subject to the final approval of the Board and the results of a due diligence. This purchase will have a yearly positive effect on the HFF's net interest margin amounting to ISK 1.1bn.

The yield of all classes of HFF bonds declined in October. The yield of HFF24 decreased by 41 basis points, HFF34 by 30 bp and the HFF44 by 25 bp. The total turnover of HFF bonds amounted to ISK 11.9bn this month, compared to ISK 23.1bn in September 2015.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 9.1bn in October. Prepayments amounted to ISK 4.2bn compared to 3.9bn in September.

Development of loans in arrears

By the end of October, the amount of defaulted loans to individuals amounted to ISK 3.4bn, with the underlying loan value amounting to ISK 33.2bn or approximately 6.09% of HFF's loan portfolio to privately owned homes, compared to 6.24% in September. There are 1,649 households currently in arrears, whereof 49 have had their loan payments deferred. Out of 50 thousand households, that have their property loans from the HFF, 96.34% were performing at the end of the month

The proportion of the underlying loan value of legal entities in arrears decreased considerably in October. The amount of defaulted loans to legal entities was ISK 3.5bn with an underlying loan value of ISK 19.6bn. Thus 13.27% of the Fund's loans to legal entities are connected to defaults compared to 17.27 in September.

Defaults or loans with deferred payments are a total of 7.62% of the Fund's loan portfolio. The corresponding percentage in October 2014 was 10.03%.

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 October

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	1,3	0,8	1,4

HFF Auctions, Lending and Payments

Actual figures 2015	Forecast 4Q	Actual 4Q	Actual Oct '15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,4	0,4
HFF total payments	0	9,1	9,1

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,2%	0,3%	0,1%
Individuals	3,5%	1,2%	0,7%
Foreign Investors	1,2%	1,0%	1,0%
Other Corporations	4,0%	1,2%	0,9%
Credit Institutions	3,0%	3,0%	1,7%
Pension Funds	63,4%	76,8%	88,8%
Insurance Companies	3,5%	1,7%	0,8%
Securities and Investm. Funds	19,0%	14,2%	5,5%
Others	2,1%	0,7%	0,6%
Nominal Value	160,4	171,7	269,5

Of the total issuance of the face value, ISK 6 bn in all HFF bonds directly belong to the lending facilitation for HFF bond market makers. All figures are in ISK billion.

October 2015

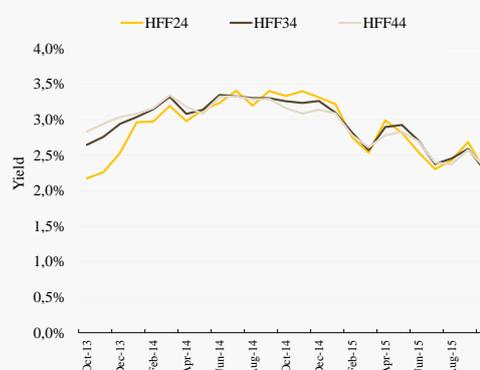
Summary

- New mortgages for privately owned homes amounted to ISK 444 million
- Prepayments amounted to ISK 4.2 billion
- 96.34% of households are performing on their loans
- Legal entities in arrears decreased from last month
- Underlying loan amount in default equals 7.62% of loan portfolio
- HFF's appropriated properties numbered 1,451 whereof 646 apartments are rented out

HFF Lending Rate

4.20% fixed rate

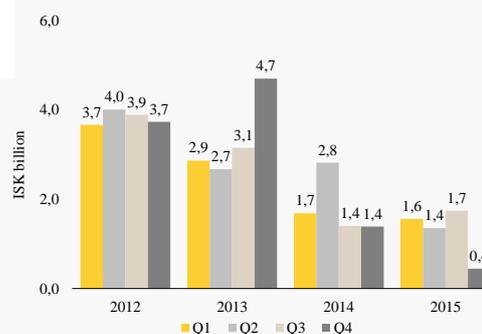
Yield of HFF Bonds



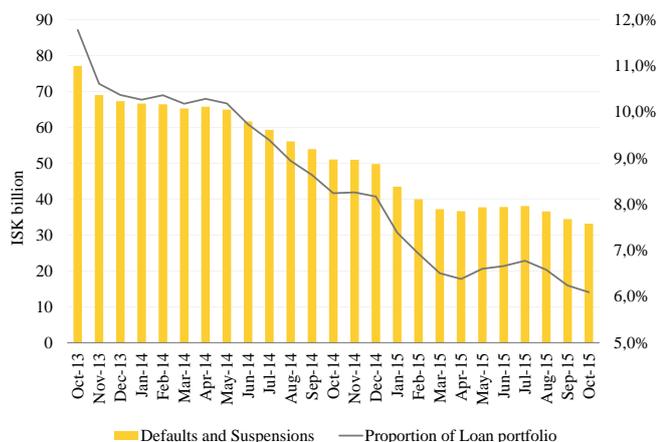
Series	Aug 2015	Sep 2015	Oct 2015	Dur-ation	Face value	Outst.n. value
HFF24	2,43%	2,69%	2,27%	4,2	160,4	82,8
HFF34	2,45%	2,59%	2,29%	8,8	171,7	127,0
HFF44	2,37%	2,57%	2,33%	12,8	269,5	229,7

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of October '15
Of the total issuance of the face value, ISK 6 bn in all HFF bonds directly belong to the lending facilitation for HFF bond market makers.

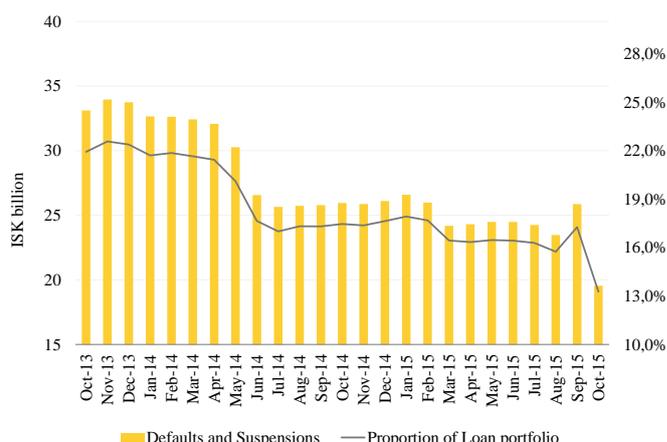
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,451 appropriated assets throughout Iceland by the end of October. Over the course of the month, the fund sold 55 properties and 35 appropriated assets were added to the HFF's portfolio. Overall 290 appropriated assets have been added since the beginning of the year.

The HFF has sold 728 properties this year. In addition, purchase offers for 182 properties have been accepted and bidders are currently engaged in financing the purchases. Overall the funds property sales are going well according to plans.

Undergoing the sales process were 712 properties, most of which are already available for purchase others are going through sales registration. A number of 646 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 table to the right contains an overview of the location of properties, categorized according to regions and their use/disposal. At the end of October 1,377 properties or 95% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 74 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.10.2015

	For sale	Rented	Empty	In process	Total Oct'15	Total Sep'15
Capital Area	62	191	6	9	268	255
Sth. Peninsula	279	189	11	3	482	498
Western Region	81	51	11	2	145	150
Westfjords	35	9	5	1	50	51
Northw. Region	17	2	1		20	21
Northe. Region	39	32	2	2	75	77
Eastern Region	96	100	35		231	231
Southern Region	103	72	3	2	180	188
Total	712	646	74	19	1.451	1.471

Sold properties

