

Market news

Total lending by the Housing Financing Fund (HFF) in May 2015 amounted to ISK 178m, and were all mortgages for privately owned homes. In comparison, in May 2014, these loans amounted to ISK 321m. The average amount of mortgages for privately owned homes was ISK 11,8m.

The yield of class HFF24 bonds increased by 38 points in May. The yield of class HFF34 increased by 33 points and HFF44 by 17 points. The total turnover of HFF bonds amounted to ISK 12,1bn this month, compared to ISK 10bn in April 2015. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 220m in May. Prepayments amounted to ISK 1.4bn similar to the previous month.

Development of loans in arrears

The proportion of the underlying loan value of individuals in arrears increased from the previous month. By the end of May, the amount of loans in arrears to individuals amounted to ISK 3.2bn, with the underlying loan value amounting to ISK 34bn or approximately 6,6% of HFF's loan portfolio to privately owned homes, compared to 10.19% in May of last year. There are 1,855 households currently in arrears, whereof 59 have had their loan payments deferred. A total of 4.33% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 4.28% in April 2015.

The amount of loans in arrears to legal entities was ISK 4bn with an underlying loan value of ISK 24,5bn. Thus 16.46% of the Fund's loans to legal entities are connected to loan in arrears. Arrear loans or loans with deferred payments are a total of 8,64% of the Fund's loan portfolio. The corresponding percentage in May 2014 was 12.08%.

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 May

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

HFF Auctions, Lending and Payments

Actual figures 2015	Forecast 2Q	Actual 2Q	Actual May '15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,1	0,2
HFF total payments	0	9,3	0,2

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,5%	0,4%	0,2%
Individuals	3,5%	1,1%	0,7%
Foreign Investors	1,3%	1,0%	1,0%
Other Corporations	5,1%	1,1%	0,7%
Credit Institutions	5,3%	5,1%	2,9%
Pension Funds	60,2%	75,1%	88,1%
Insurance Companies	3,8%	1,6%	0,7%
Securities and Investm. Funds	18,3%	13,9%	5,1%
Others	2,0%	0,6%	0,6%
Nominal Value	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.

Maí 2015

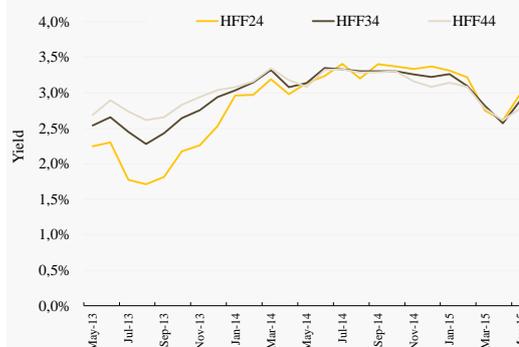
Summary

- New mortgages for privately owned homes amounted to ISK 178 million
- Prepayments amounted to ISK 1.4 billion
- Privately owned homes in arrears increased from last month
- 4.33% of homes are in arrears
- Total amount of loans in arrears is ISK 7.3billion, underlying loan amount equals 8,64% of loan portfolio
- HFF's appropriated properties numbered 1,559 whereof 709 apartments are rented out

HFF Lending Rate

4.20% fixed rate

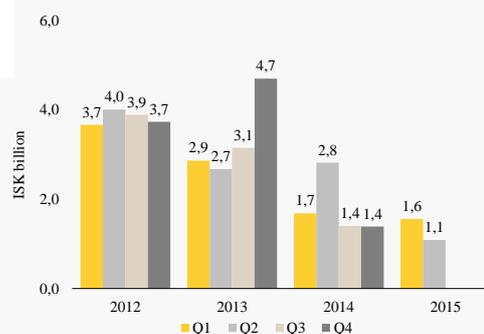
Yield of HFF Bonds



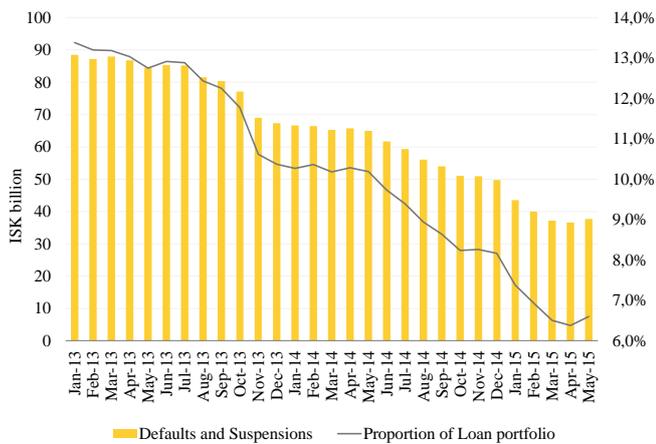
Series	Mar 2015	Apr 2015	May 2015	Duration	Face value	Outst.n. value
HFF24	2,75%	2,61%	2,99%	4,3	164,0	93,0
HFF34	2,82%	2,57%	2,90%	8,9	175,3	136,8
HFF44	2,78%	2,61%	2,78%	12,7	273,1	237,1

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of May '15
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.

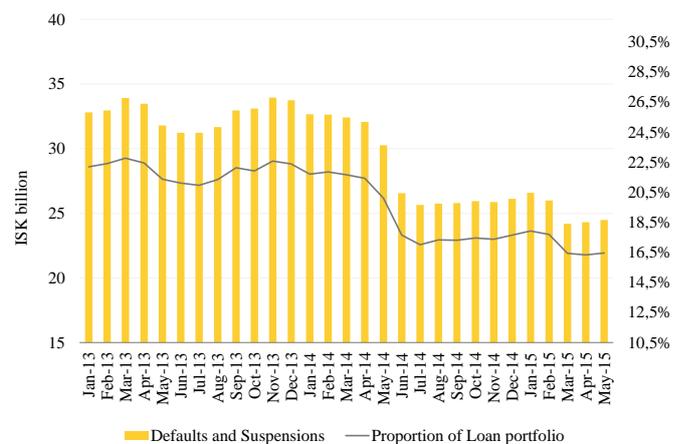
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,559 appropriated assets throughout Iceland by the end of May 2015 which is a decrease in assets of 108 from last month. Over the course of the month, the fund sold 145 properties and 39 appropriated assets were added to the HFF's portfolio. 157 appropriated assets have been added in 2015 and 487 appropriated assets have been sold.

In addition, bids for 92 properties have been accepted and bidders are currently engaged in financing.

Undergoing the sales process were 761 properties, most of which are already available for purchase with others are going through sales registration.

A total number of 709 apartments were rented out throughout the country. The vast majority was rented to families and individuals who resided in the properties when the HFF acquired them. Approximately 75% of new appropriated assets will be rented out in the same manner.

All real estate agencies in Iceland are licensed to sell HFF's properties. The HFF has a partnership agreement with the Association of Estate Agents (Félag fasteignasala) regarding 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. Of the 1,559 properties that the HFF owned at the end of May, 1,492 properties have been rented or are undergoing the sales process or other procedures. A further 67 properties await assessment and will they either be rented out or put in a selling process.

HFF's Property According to Regions and Status, 31.05.2015

	For sale	Rented	Empty	Uninhabitable	In process	Total May '15	Total Apr '15
Capital Area	50	194	6		7	257	264
Sth. Peninsula	353	207	11		5	576	674
Western Region	89	53	15		4	161	159
Westfjords	32	10	4		0	46	47
Northw. Region	16	2	1			19	18
Northe. Region	39	37			1	80	81
Eastern Region	79	129	23			232	234
Southern Region	103	77	4	0	4	188	190
Total	761	709	67	0	22	1,559	1,667

Sold properties

