

Market news

On July 21, 2016, Standard & Poor's Ratings Services raised the credit ratings on HFF to 'BB' with stable outlook.

Total lending by the Housing Financing Fund (HFF) in July 2016 amounted to ISK 298m, whereof 180m were mortgages for privately owned homes. In comparison, in June 2016, these loans amounted to ISK 267m. The average amount of mortgages for privately owned homes was ISK 9.0m.

The yield of all classes of HFF bonds rose in July. The yield of HFF24 rose by 15 bp, HFF34 by 9 bp and HFF44 by 22 bp. The total turnover of HFF bonds amounted to ISK 4.1bn this month, compared to ISK 7.3bn in June 2016. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 193m in July. Prepayments amounted to ISK 3.4bn.

Development of defaulted loans

Defaults connected to privately owned homes decrease. By the end of July, defaulted loans to individuals amounted to ISK 2.0bn, decreasing by 4,4% since June. Underlying loan value in default was ISK 19,2bn or approximately 4.1% of HFF's loan portfolio to privately owned homes. The total number of households with HFF loans is 38.350, nearly 98% of them are performing on their loans.

The amount of defaulted loans to legal entities was around ISK 557m with an underlying loan value of ISK 5.9bn. Thus 4.1% of the Fund's loans to legal entities are connected to defaults.

The total amount in default was ISK 2.5bn at the end of the month compared to ISK 2.6bn at the end of June. Defaults are a total of 4.1% of the Fund's loan portfolio. The corresponding percentage in July 2015 was 8.7%.

Defaults are considered to be loans in arrears for longer than 90 days.

Outst. amount in the securities lending facility at the end of July

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

HFF Auctions, Lending and Payments

Actual figures 2016	July	YTD
HFF bond issuance (NV)	0	0,0
New HFF lending	0,3	7,1
HFF total payments	0,2	36,6

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	1,1%	0,2%	0,1%
Individuals	3,5%	1,1%	0,6%
Foreign Investors	0,9%	1,0%	1,0%
Other Corporations	4,2%	1,7%	0,9%
Credit Institutions	3,7%	3,4%	2,2%
Pension Funds	63,0%	79,2%	89,5%
Insurance Companies	3,0%	1,3%	0,7%
Securities and Investm. Funds	18,5%	11,4%	4,4%
Others	1,9%	0,8%	0,7%
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.

July 2016

Summary

- The amount of defaulted loans to individuals decrease by 4,4% since June
- Nearly 98% of households are performing on their loans
- Underlying loan value in default equals 4.1% of loan portfolio
- HFF's apartments numbered 809 whereof 386 apartments are rented out

HFF Lending Rate

4.20% fixed rate

Yield of HFF Bonds



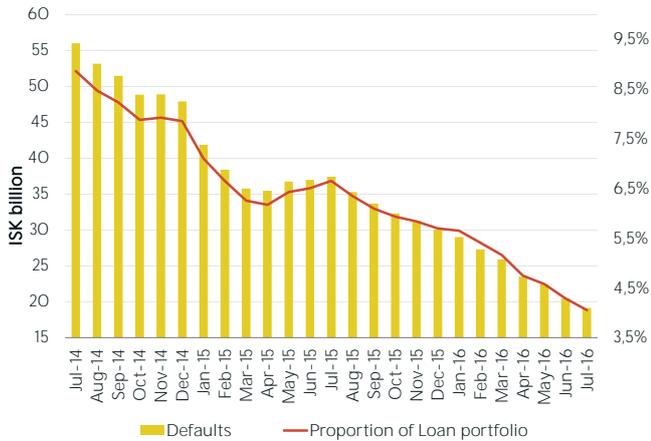
Series	May 2016	Jun 2016	Jul 2016	Dur- ation	Face value	Outst.n. value
HFF24	2,85%	3,15%	3,30%	3,6	160,4	78,6
HFF34	2,85%	3,01%	3,10%	8,1	171,7	124,6
HFF44	2,78%	2,92%	3,14%	12,1	269,5	225,2

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of July'16
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.

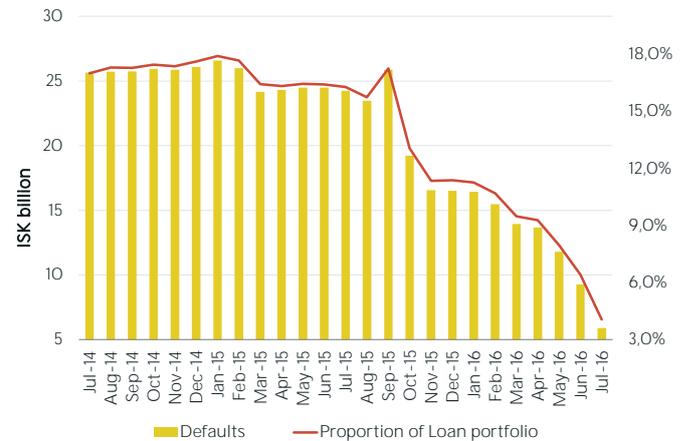
Total Lending by Quarter



Individuals - Defaults



Legal Entities - Defaults



HFF's Apartments held for sale

Property portfolio

The HFF owned 809 properties throughout Iceland by the end of July. Over the course of the month, the fund sold 31 properties and 15 apartments were added to the HFF's portfolio. In addition, purchase offers for 98 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 333 properties, most of which are already available for purchase others are going through sales registration. A number of 386 apartments were rented throughout the country. A majority were rented to families and individuals who resided in the properties when the HFF acquired them.

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 July 751 properties or 93% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 58 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.07.2016

	For sale	Rented	Empty	In process	Total Jul'16	Total Jun'16
Capital Area	18	84	25	8	135	133
Sth. Peninsula	80	111	7	2	200	212
Western Region	60	49	4	3	116	115
Westfjords	35	12	2	3	52	54
Northw. Region	9	4	2	1	16	17
Northe. Region	29	14	4	6	53	56
Eastern Region	48	37	5	0	90	91
Southern Region	54	75	9	9	147	147
Total	333	386	58	32	809	825

Sold properties

