

## Market news

The Minister of Social Affairs and Housing has introduced a bill amending Act No. 44/1998 on Housing, pertaining to the future arrangement of housing matters. Some changes to the operation of the Housing Financing Fund are proposed, for example increased focus on the fund's role in formulating policies and plans in housing matters.

The Interim Financial Statement, published in August, presents turnaround on the fund's operations in the first six months of the year. Surplus from the HFF's operations amounted to ISK 2,510 m. The equity ratio was 6.45% thus well above long-term goal. In addition to a significant decrease in defaults and strong return on assets outside the loan portfolio.

Total lending by the Housing Financing Fund (HFF) in August 2016 amounted to ISK 1,468m, whereof 154m were mortgages for privately owned homes. In comparison, in July 2016, these loans amounted to ISK 180m. The average amount of mortgages for privately owned homes was ISK 10.3m.

The yield of all classes of HFF bonds decreased in August. The yield of HFF24 decreased by 36 bp, HFF34 by 42 bp and HFF44 by 43 bp. The total turnover of HFF bonds amounted to ISK 8.3bn this month, compared to ISK 4.1bn in July 2016. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 10.7bn in August. Prepayments amounted to ISK 4.4bn.

## Development of defaulted loans

By the end of August, defaulted loans to individuals amounted to ISK 2.0bn, with the underlying loan value around ISK 19bn or approximately 4.0% of HFF's loan portfolio to privately owned homes. There are 969 households currently in arrears. The amount of defaulted loans to legal entities was around ISK 583m with an underlying loan value of ISK 2.5bn. Thus 1.8% of the Fund's loans to legal entities are connected to defaults.

The total amount in default was ISK 2.6bn at the end of the month compared to ISK 2.5bn at the end of July. Defaults are a total of 3.5% of the Fund's loan portfolio. The corresponding percentage in August 2015 was 8.4%.

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

## Outst. amount in the securities lending facility at the end of August

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,6	0,5

## HFF Auctions, Lending and Payments

Actual figures 2016	August	YTD
HFF bond issuance (NV)	0	0,0
New HFF lending	1,5	8,3
HFF total payments	10,7	47,3

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,6%	0,1%	0,1%
Individuals	3,0%	1,1%	0,6%
Foreign Investors	0,9%	1,0%	1,0%
Other Corporations	4,2%	1,7%	0,9%
Credit Institutions	3,7%	3,1%	2,1%
Pension Funds	64,8%	79,8%	89,7%
Insurance Companies	2,9%	1,3%	0,7%
Securities and Investm. Funds	17,8%	11,1%	4,3%
Others	2,0%	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.

## August 2016

### Summary

- Total lending amounted to ISK 1.5bn
- Nearly 98% of households are performing on their loans
- Underlying loan value in default equals 3.5% of loan portfolio
- HFF's apartments numbered 772 whereof 389 apartments are rented out

### HFF Lending Rate

4.20% fixed rate

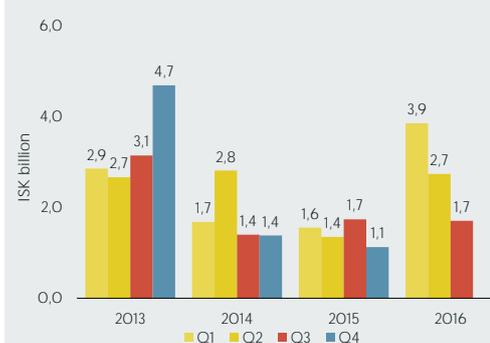
### Yield of HFF Bonds



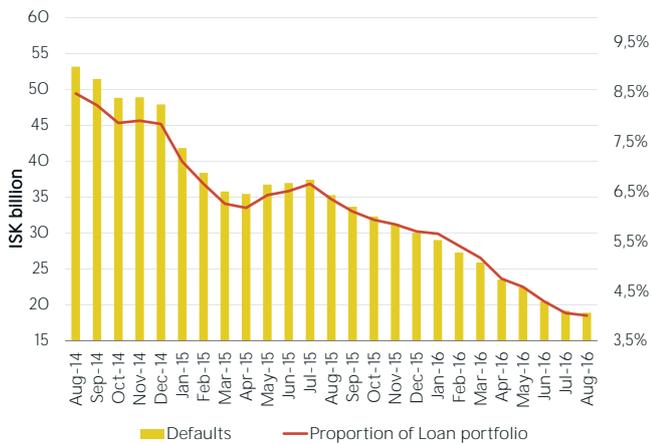
Series	Jun 2016	Jul 2016	Aug 2016	Dur-ation	Face value	Outst.n. value
HFF24	3,15%	3,30%	2,94%	3,8	160,4	74,4
HFF34	3,01%	3,10%	2,69%	8,2	171,7	124,6
HFF44	2,92%	3,14%	2,71%	12,3	269,5	225,2

\*Yield on the last trading day of each month  
Duration (yrs) and class size (BISK) as of end of August\*16  
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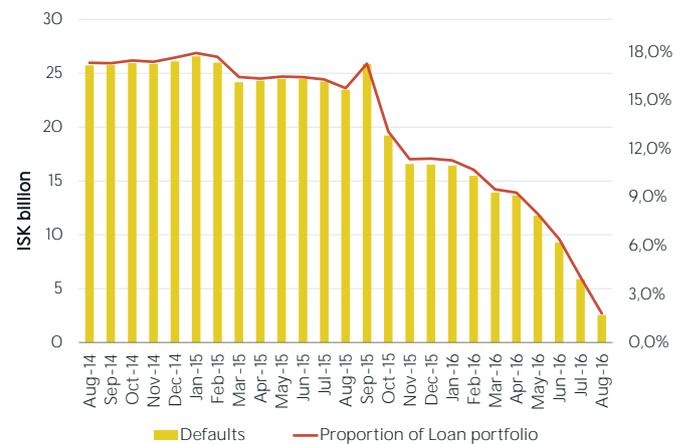
### Total Lending by Quarter



## Individuals - Defaults



## Legal Entities - Defaults



## HFF's Apartments held for sale

### Property portfolio

The HFF owned 772 properties throughout Iceland by the end of August. Over the course of the month, the fund sold 41 property and 4 apartments were added to the HFF's portfolio. In addition, purchase offers for 86 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 310 properties, most of which are already available for purchase others are going through sales registration. A number of 389 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 August 724 properties or 94% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 48 properties await assessment and will they either be rented out or go into sales process.

### HFF's Property According to Regions and Status, 31.08.2016

	For sale	Rented	Empty	In process	Total Aug'16	Total Jul'16
Capital Area	28	85	12	8	133	135
Sth. Peninsula	73	110	2	2	187	200
Western Region	46	51	5	1	103	116
Westfjords	35	13	3	1	52	52
Northw. Region	7	6	2	0	15	16
Northe. Region	27	16	4	5	52	53
Eastern Region	47	32	9	1	89	90
Southern Region	47	76	11	7	141	147
<b>Total</b>	<b>310</b>	<b>389</b>	<b>48</b>	<b>25</b>	<b>772</b>	<b>809</b>

### Sold properties

