

Market news

Total lending by the Housing Financing Fund (HFF) in July 2015 amounted to ISK 534m. All were mortgages for privately owned homes. In comparison, in July 2014, these loans amounted to ISK 520m. The average amount of mortgages for privately owned homes was ISK 13m.

On July 3rd, Moody's Investors Services upgraded HFF's rating to Baa3 from Ba1, following the upgrade of the Icelandic sovereign. The outlook is stable.

On July 22nd, Standard & Poor's Rating Services affirmed their Long- and Short-Term rating on Iceland's HFF, BB-/B. Outlook remains stable.

The yield of class HFF24 bonds decreased by 12 points in July. The yield of class HFF34 decreased by 16 points and HFF44 decreased by 10 points. The total turnover of HFF bonds amounted to ISK 8.6bn this month, compared to ISK 9.2bn in June 2015.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 360m in July. Prepayments amounted to ISK 5.4bn, compared to ISK 1.8bn in the previous month. The significant increase in prepayments can be traced to delays in processing at the Icelandic County Magistrate's office in the past few months.

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 July, the amount of loans in arrears to individuals amounted to ISK 3.3bn, with the underlying loan value amounting to ISK 34.6bn or approximately 6.8% of HFF's loan portfolio to privately owned homes, compared to 9.39% in July of last year. There are 1,798 households currently in arrears, whereof 40 have had their loan payments deferred. A total of 4.25% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 4.33% in June 2015.

The amount of loans in arrears to legal entities was ISK 4.1bn with an underlying loan value of ISK 24.3bn. Thus 16.29% 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 8.77% of the Fund's loan portfolio. The corresponding percentage in July 2014 was 10.85%.

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 July

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,8	1,0	1,9

HFF Auctions, Lending and Payments

Actual figures 2015	Forecast 3Q	Actual 3Q	Actual Jul 15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,5	0,5
HFF total payments	0	0,4	0,4

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,3%	0,2%	0,1%
Individuals	3,6%	1,1%	0,7%
Foreign Investors	1,3%	1,0%	1,0%
Other Corporations	5,0%	1,3%	0,9%
Credit Institutions	5,4%	4,9%	2,8%
Pension Funds	60,8%	74,9%	87,9%
Insurance Companies	4,2%	1,6%	0,7%
Securities and Investm. Funds	17,4%	14,2%	5,3%
Others	2,1%	0,7%	0,6%
Nominal Value	164,0	175,3	273,1

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 2015

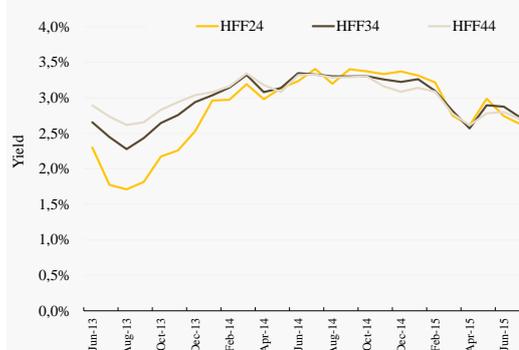
Summary

- New mortgages for privately owned homes amounted to ISK 534 million
- Prepayments amounted to ISK 5.4 billion
- Privately owned homes in arrears increased from last month
- 4.25% of homes are in arrears
- Total amount of loans in arrears is ISK 7.4billion, underlying loan amount equals 8,77% of loan portfolio
- HFF's appropriated properties numbered 1,522 whereof 703 apartments are rented out

HFF Lending Rate

4.20% fixed rate

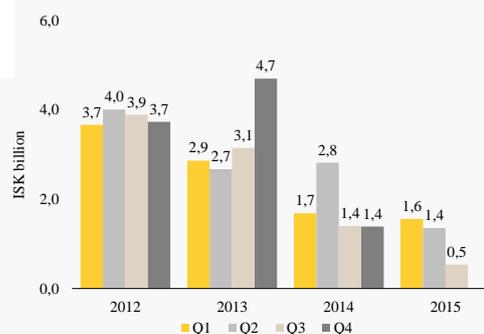
Yield of HFF Bonds



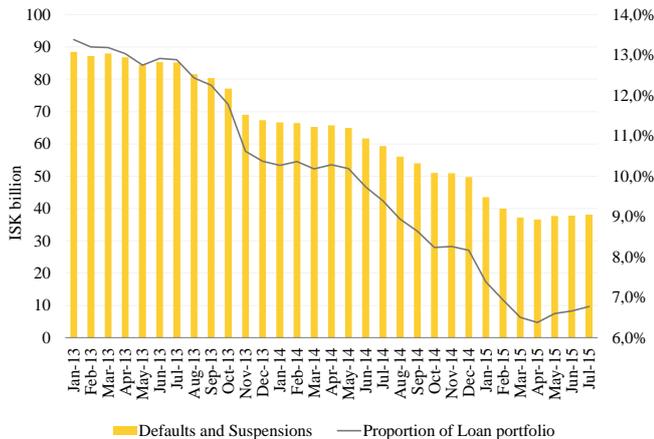
Series	May 2015	Jun 2015	Jul 2015	Duration	Face value	Outst.n. value
HFF24	2,99%	2,74%	2,62%	4,2	164,0	88,9
HFF34	2,90%	2,88%	2,72%	8,7	175,3	132,1
HFF44	2,78%	2,80%	2,70%	12,9	273,1	232,8

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of July '15
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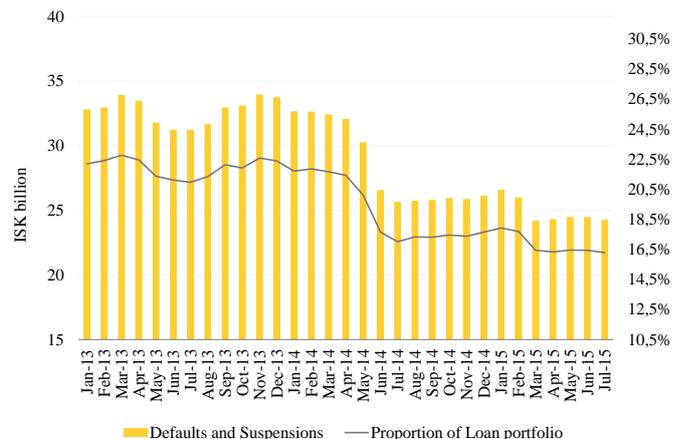
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,522 appropriated assets throughout Iceland by the end of July 2015 which is a decrease in assets of 8 from last month. Over the course of the month, the fund sold 38 properties and 33 appropriated assets were added to the HFF's portfolio. 216 appropriated assets have been added in 2015 and 583 appropriated assets have been sold.

In addition, bids for 206 properties have been accepted and bidders are currently engaged in financing.

Undergoing the sales process were 742 properties, most of which are already available for purchase while others are going through sales registration.

A total number of 703 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 1,522 properties that the HFF owned at the end of July, 1,465 properties have been rented out, are undergoing the sales process or other procedures. A further 57 properties await assessment and will they either be rented out or put in a selling process.

HFF's Property According to Regions and Status, 31.07.2015

	For sale	Rented	Empty	Uninhabit- able	In process	Total Jul '15	Total Jun '15
Capital Area	48	189	5		8	250	245
Sth. Peninsula	341	203	1		2	547	565
Western Region	81	54	17		2	154	156
Westfjords	36	10	2		5	53	48
Northw. Region	17	2	1			20	19
Northe. Region	32	40			2	77	83
Eastern Region	85	120	26			231	232
Southern Region	102	85	2	0	1	190	183
Total	742	703	57	0	20	1,522	1,531

Sold properties

