

Market news

Total lending by the Housing Financing Fund (HFF) in September 2015 amounted to ISK 451m, whereof ISK 428m were mortgages for privately owned homes. In comparison, in September 2014, these loans amounted to ISK 286m. The average amount of mortgages for privately owned homes was ISK 9.5m.

In September, organisational changes at the HFF were introduced. These changes are the result of the policy formulation work carried out by the Board of Directors following a report issued last spring on the future organisation of housing issues. The aforementioned report is the outcome of the work of a task force appointed by the Minister of Social Affairs and Housing on the matter. The policy focuses on operational simplification, greater focus on the Fund's core operations, targeted actions to resolve the financing of the Fund's commitments and reaching a balance in the Fund's lending operations and its financing.

The yield of all classes of HFF bonds rose in September. The yield of HFF24 rose by 26 basis points, HFF34 by 14 bp and the HFF44 by 20 bp. The total turnover of HFF bonds amounted to ISK 23.1bn this month, compared to ISK 15.3bn in August 2015.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 450m in September. Prepayments amounted to ISK 3.9bn equivalent to the previous month.

Development of loans in arrears

The proportion of the underlying loan value of individuals in arrears decreased in September. By the end of September, the amount of defaulted loans to individuals amounted to ISK 3.5bn, with the underlying loan value amounting to ISK 34.5bn or approximately 6.24% of HFF's loan portfolio to privately owned homes, compared to 6.58% in August. There are 1,810 households currently in arrears, whereof 47 have had their loan payments deferred. A total of 4.01% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 5.79% in September 2014.

The amount of defaulted loans to legal entities was ISK 4.2bn with an underlying loan value of ISK 25.8bn. Thus 17.27% of the Fund's loans to legal entities are connected to defaults.

Defaults or loans with deferred payments are a total of 8.6% of the Fund's loan portfolio.

The corresponding percentage in September 2014 was 10.31%.

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 September

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	1,0	0,7	1,8

HFF Auctions, Lending and Payments

Actual figures 2015	Forecast 3Q	Actual 3Q	Actual Sep '15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,7	0,5
HFF total payments	0	11,7	0,4

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,8%	0,3%	0,3%
Individuals	3,5%	1,2%	0,7%
Foreign Investors	1,3%	1,0%	1,0%
Other Corporations	4,2%	1,2%	0,9%
Credit Institutions	3,1%	3,1%	1,5%
Pension Funds	63,3%	76,7%	88,8%
Insurance Companies	3,6%	1,7%	0,8%
Securities and Investm. Funds	18,0%	14,1%	5,4%
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.

September 2015

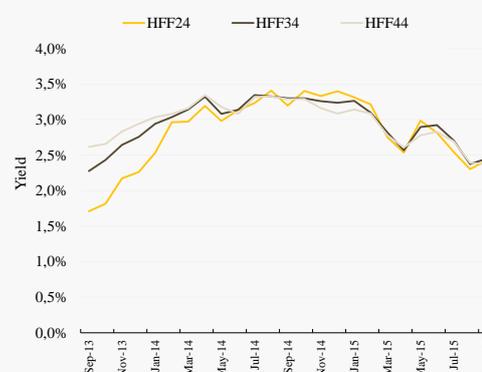
Summary

- New mortgages for privately owned homes amounted to ISK 428 million
- Prepayments amounted to ISK 3.9 billion
- 4.01% of homes are in arrears
- Total amount of loans in arrears is ISK 7.7 billion, underlying loan amount equals 8,6% of loan portfolio
- HFF's appropriated properties numbered 1,471 whereof 668 apartments are rented out

HFF Lending Rate

4.20% fixed rate

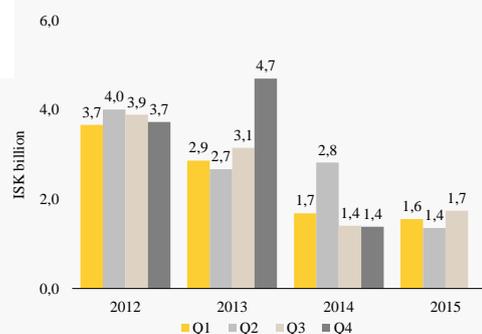
Yield of HFF Bonds



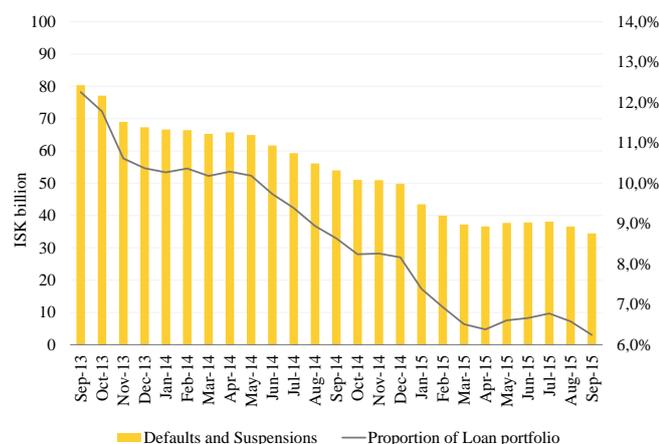
Series	Jul 2015	Aug 2015	Sep 2015	Duration	Face value	Outst.n. value
HFF24	2,54%	2,30%	2,43%	4,2	160,4	82,8
HFF34	2,71%	2,37%	2,45%	8,5	171,7	129,4
HFF44	2,70%	2,39%	2,37%	12,7	269,5	229,7

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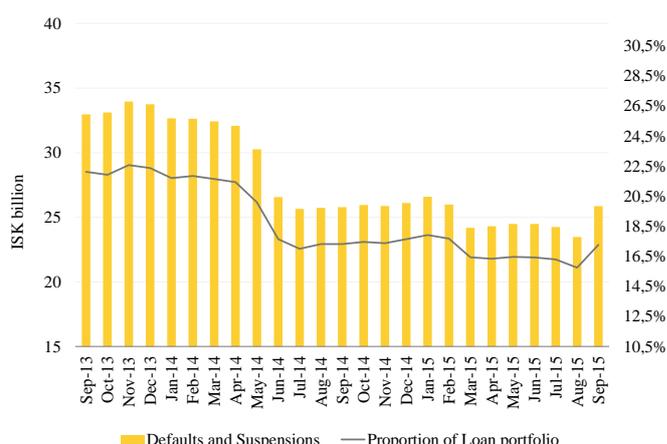
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,471 appropriated assets throughout Iceland by the end of September. Over the course of the month, the fund sold 55 properties and 23 appropriated assets were added to the HFF's portfolio. Overall 255 appropriated assets have been added since the beginning of the year.

The HFF has sold 673 properties this year. In addition, purchase offers for 225 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 703 properties, most of which are already available for purchase others are going through sales registration. A number of 668 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 September 1,388 properties or 94% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 76 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.08.2015

	For sale	Rented	Empty	In process	Total Aug'15	Total Jul'15
Capital Area	50	185	12	8	255	248
Sth. Peninsula	300	194	2	2	498	531
Western Region	76	51	19	4	150	150
Westfjords	36	10	4	1	51	52
Northw. Region	18	2		1	21	20
Northe. Region	31	36	7	3	77	78
Eastern Region	92	110	29		231	235
Southern Region	100	80	3	5	188	189
Total	703	668	76	24	1.471	1.503

Sold properties

