

## Market news

Total lending by the Housing Financing Fund (HFF) in August 2015 amounted to ISK 753m, whereof ISK 404m were mortgages for privately owned homes. In comparison, in August 2014, these loans amounted to ISK 297m. The average amount of mortgages for privately owned homes was ISK 10.4m.

The condensed consolidated interim financial statements of the HFF for the first half of the year were approved by the Fund's Board of Directors on August 28. The condensed consolidated interim financial statements are comprised of the financial statements of the HFF and its subsidiary, Leigufélagið Klettur ehf. The operating results of the period were above expectations, with loss amounting to ISK 808m compared to a loss of ISK 1,308m for the same period of the previous year. At present, the Fund's equity ratio, calculated according to the provisions of Regulation No. 544/2004 on the HFF, is 4.8%, whereas it was 4.5% at the beginning of the year. The long term objective of the Fund is to maintain a ratio above 5.0%. The Fund's equity amounted to ISK 17,279m compared to ISK 18,087m at the end of 2014

The yield of bond classes HFF24 and HFF34 rose in August. The increase was 8–12 points respectively. The yield of HFF34 declined by 2 bp. The total turnover of HFF bonds amounted to ISK 15.3bn this month, compared to ISK 8.6bn in July 2015. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 10.9bn in August. Prepayments amounted to ISK 3.9bn compared to 5.4bn in July.

## Development of loans in arrears

The proportion of the underlying loan value of individuals in arrears has decreased by 2.4 percentage points from August last year. By the end of August, the amount of defaulted loans to individuals amounted to ISK 3.6bn, with the underlying loan value amounting to ISK 36.6bn or approximately 6.58% of HFF's loan portfolio to privately owned homes, compared to 8.94% in August last year. There are 1,882 households currently in arrears, whereof 47 have had their loan payments deferred. A total of 4.14% of the households that have their property loans from HFF were in arrears with their loans at the end of the month, compared to 6.04% in August 2014.

The amount of defaulted loans to legal entities was ISK 4.2bn with an underlying loan value of ISK 23.4bn. Thus 15.75% of the Fund's loans to legal entities are connected to defaults.

Defaults or loans with deferred payments are a total of 8.52% of the Fund's loan portfolio. The corresponding percentage in August 2014 was 10.54%.

*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 August

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,9	1,2	1,9

## HFF Auctions, Lending and Payments

Actual figures 2015	Forecast 3Q	Actual 3Q	Actual Aug '15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,3	0,8
HFF total payments	0	11,3	10,9

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

## August 2015

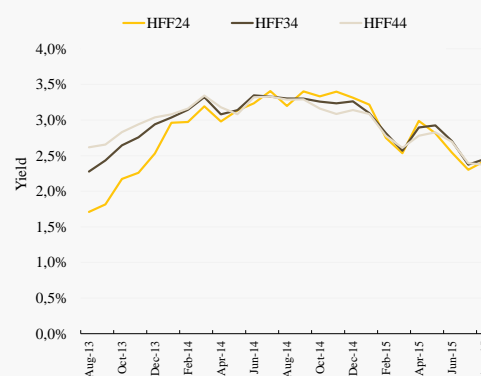
### Summary

- New mortgages for privately owned homes amounted to ISK 753 million
- Prepayments amounted to ISK 3.9 billion
- 4.14% of homes are in arrears
- Total amount of loans in arrears is ISK 7.8 billion, underlying loan amount equals 8,52% of loan portfolio
- HFF's appropriated properties numbered 1,503 whereof 689 apartments are rented out

### HFF Lending Rate

4.20% fixed rate

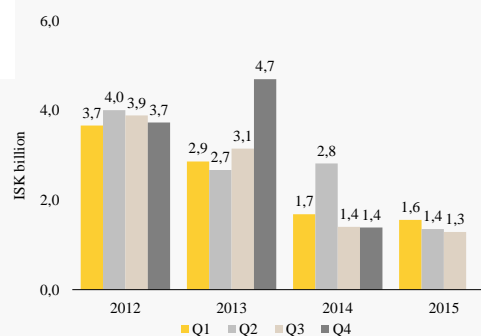
### Yield of HFF Bonds



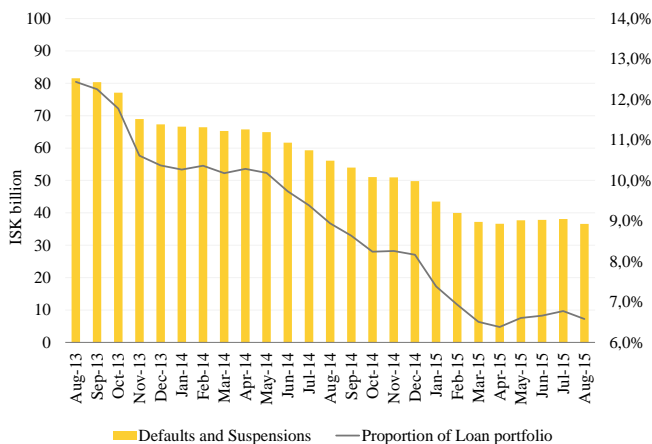
Series	Jun 2015	Jul 2015	Aug 2015	Duration	Face value	Outst.n. value
HFF24	2,54%	2,30%	2,43%	4,3	160,4	82,8
HFF34	2,71%	2,37%	2,45%	8,7	171,7	129,4
HFF44	2,70%	2,39%	2,37%	12,9	269,5	229,7

\*Yield on the last trading day of each month  
Duration (yrs) and class size (BISK) as of end of August '15  
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. ISK 3.6 bn write-down on all classes this month.

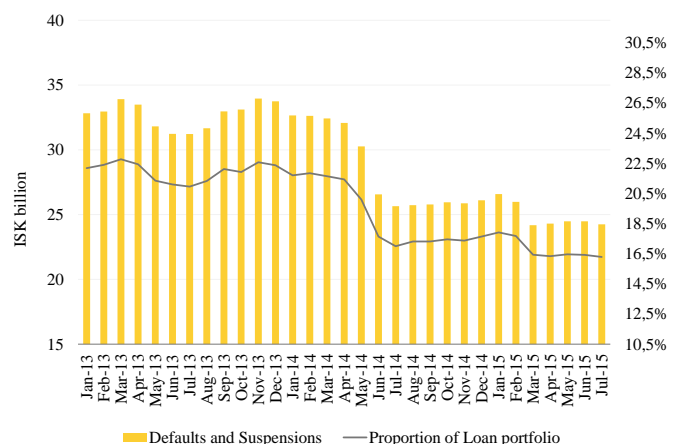
### Total Lending by Quarter



## Individuals - Defaults and Suspensions



## Legal Entities - Defaults and Suspensions



## HFF's Appropriated Property

### Property portfolio

The HFF owned 1,503 appropriated assets throughout Iceland by the end of August. Over the course of the month, the fund sold 35 properties and 16 appropriated assets were added to the HFF's portfolio. Overall 232 appropriated assets have been added since the beginning of the year.

The HFF has sold 618 properties this year. In addition, purchase offers for 108 properties have been accepted and bidders are currently engaged in financing the purchases. Undergoing the sales process were 723 properties, most of which are already available for purchase others are going through sales registration. Overall the funds property sales are going well according to plans.

A number of 689 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. Of the 1,503 properties that the HFF owned at the end of August 2015, 1,429 properties have been rented or are undergoing the sales process or other procedures. A further 74 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	Uninhabit- able	In process	Total Aug'15	Total Jul'15
Capital Area	45	187	10		6	248	250
Sth. Peninsula	326	200	3		2	531	547
Western Region	78	53	18		1	150	154
Westfjords	36	11	3		2	52	53
Northw. Region	18	2	0			20	20
Northe. Region	29	38	6		5	78	77
Eastern Region	89	115	31			235	231
Southern Region	102	83	3		1	189	190
<b>Total</b>	<b>723</b>	<b>689</b>	<b>74</b>		<b>17</b>	<b>1.503</b>	<b>1.522</b>

### Sold properties

