

Market news

Total lending by the Housing Financing Fund (HFF) in June 2016 amounted to ISK 804m, whereof 267m were mortgages for privately owned homes. In comparison, in May 2016, these loans amounted to ISK 290m. The average amount of mortgages for privately owned homes was ISK 10.3m.

Moody's Investors Service announced on June 15th that it has placed on review for upgrade the Housing Financing Fund (HFF) ratings. According to Moody's announcement this rating action follows the recent rating action on the Iceland's Baa2 sovereign issuer rating, which was placed on review for upgrade on 10 June 2016. The Housing Financing Fund (HFF) signed in June agreements regarding HFF bond issuance and market making in the secondary market. As of July 1st, 2016, Landsbankinn hf. is authorized to refer to itself as „Primary Dealer in HFF bonds”.

The yield of all classes of HFF bonds rose in June. The yield of HFF24 rose by 30 bp, HFF34 by 17 bp and HFF34 by 15 bp. The total turnover of HFF bonds amounted to ISK 7.3bn this month, compared to ISK 5.8bn in May 2016. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 12.4bn in June. Prepayments amounted to ISK 3.6bn.

Development of defaulted loans

Defaults connected to privately owned homes decrease. By the end of June, defaulted loans to individuals amounted to ISK 2.1bn, with the underlying loan value of ISK 20,5bn or approximately 4.3% of HFF's loan portfolio to privately owned homes. There are 1,023 households currently in arrears. The proportion of the underlying loan value of legal entities in arrears decreased considerably in June. The amount of defaulted loans to legal entities has decreased by ISK 2.5bn this year, amounting to ISK 555m at the end of June, with an underlying loan value of ISK 9.3bn.

The total amount in default was ISK 2.6bn at the end of the month compared to ISK 4.9bn at the end of May. Defaults are a total of 4.8% of the Fund's loan portfolio. The corresponding percentage in June 2015 was 8.6%.

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

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

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

HFF Auctions, Lending and Payments

Actual figures 2016	June	YTD
HFF bond issuance (NV)	0	0,0
New HFF lending	0,8	6,8
HFF total payments	12,4	36,4

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,6%	0,3%	0,1%
Individuals	3,5%	1,1%	0,6%
Foreign Investors	1,0%	1,0%	1,0%
Other Corporations	4,2%	1,7%	0,9%
Credit Institutions	3,7%	3,4%	2,1%
Pension Funds	62,9%	78,5%	89,4%
Insurance Companies	3,0%	1,3%	0,7%
Securities and Investm. Funds	19,0%	11,8%	4,5%
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.

June 2016

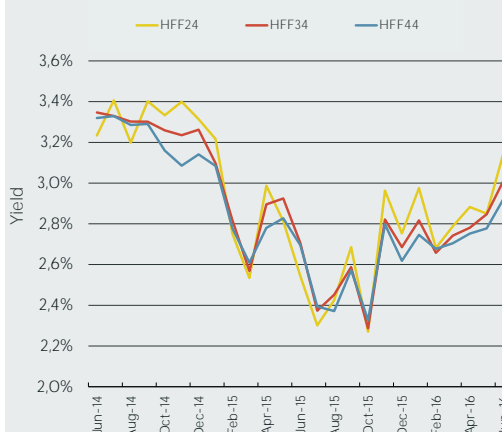
Summary

- Total lending amounted to ISK 804 million
- Defaulted loans to individuals amounted to ISK 2.1 billion.
- The amount of defaulted loans to legal entities has decreased by ISK 2.5bn this year
- Underlying loan value to individuals in default equals 4.3% of loan portfolio
- HFF's appropriated properties numbered 825 whereof 390 apartments are rented out

HFF Lending Rate

4.20% fixed rate

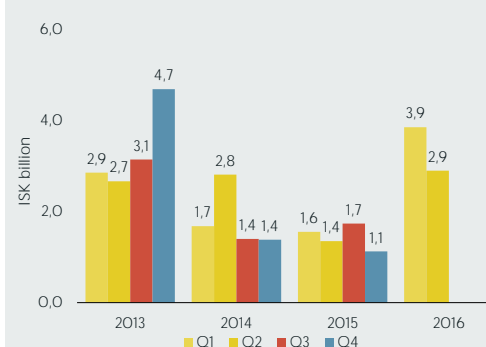
Yield of HFF Bonds



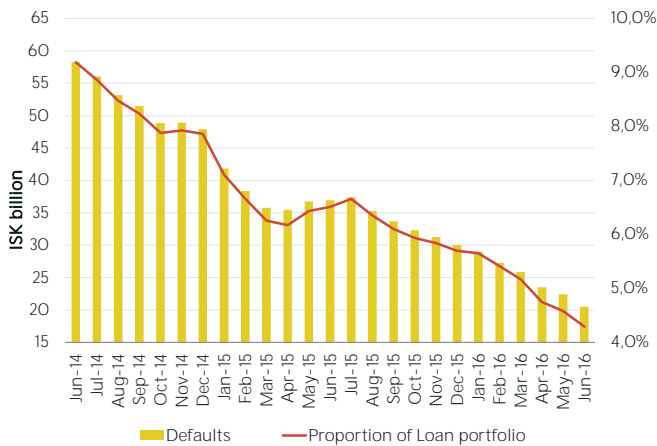
Series	Apr 2016	May 2016	Jun 2016	Duration	Face value	Outst.n. value
HFF24	2,88%	2,85%	3,15%	3,7	160,4	78,6
HFF34	2,78%	2,85%	3,01%	8,2	171,7	124,6
HFF44	2,75%	2,78%	2,92%	12,3	269,5	225,2

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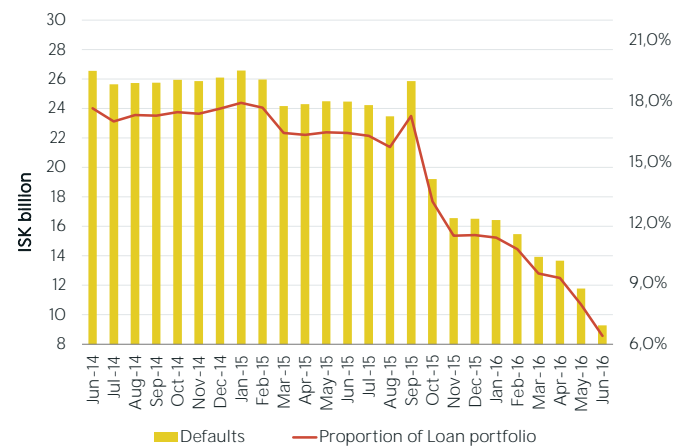
Total Lending by Quarter



Individuals - Defaults



Legal Entities - Defaults



HFF's Appropriated Property

Property portfolio

The HFF owned 825 appropriated assets throughout Iceland by the end of June. Over the course of the month, the fund sold 95 properties and 20 appropriated assets were added to the HFF's portfolio. In addition, purchase offers for 109 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 360 properties, most of which are already available for purchase others are going through sales registration. A number of 390 apartments 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 June, 781 properties or 95% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 44 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 30.06.2016

	For sale	Rented	Empty	In process	Total Jun'16	Total May'16
Capital Area	21	85	20	7	133	133
Sth. Peninsula	92	112	3	5	212	257
Western Region	62	48	1	4	115	117
Westfjords	35	13	1	5	54	54
Northw. Region	10	4	2	1	17	19
Northe. Region	34	14	4	4	56	62
Eastern Region	49	38	4	0	91	103
Southern Region	57	76	9	5	147	155
Total	360	390	44	31	825	900

Sold properties

