

Market news

The 2016 Annual Financial Statements of the Housing Financing Fund (HFF) were published in the beginning of March. The year's operating results were positive to the tune of ISK 4,257m. The equity base is now 7.26% and hasn't been higher since the Fund's establishment.

Changes to the executive management and the Board of directors were introduced in March. Changes to the organisational chart which involve establishment of a new department of Housing Affairs were introduced as well.

Total lending by the HFF in March 2017 amounted to ISK 2.2bn, whereof 372m were mortgages for privately owned homes. In comparison, in February, these loans amounted to ISK 261m. The average amount of mortgages for privately owned homes was ISK 12.8m.

The yield of classes HFF34 and HFF44 declined in March. The yield of HFF34 declined by 7 bp and HFF44 by 5 bp. The yield of HFF24 rose by 11 bp. The total turnover of HFF bonds amounted to ISK 8.7bn this month, compared to ISK 4.0bn in February 2017.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 346m in March. Prepayments amounted to ISK 5.3bn.

Development of delinquency

By the end of March, delinquent payments on loans to individuals amounted to ISK 1.5bn, with the underlying loan value around ISK 14.2bn or approximately 3.3% of HFF's loan portfolio to privately owned homes. There are 792 households currently in arrears. The amount of delinquent payments on loans to legal entities was around ISK 551m with an underlying loan value of ISK 2.1 bn. Thus 1.4% of the Fund's loans to legal entities are more than 90 days past due.

The total delinquent payments amounted to ISK 2.0bn at the end of the month compared to ISK 2.0bn at the end of February. Delinquency is a total of 2.8% of the Fund's loan portfolio. The corresponding percentage in March 2016 was 6.15%.

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

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,1	0,4	0,3

HFF Auctions, Lending and Payments

Actual figures 2017	Jan-Mar
HFF bond issuance (NV)	0,0
New HFF lending	3,4
HFF total payments	11,3

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	1,9%	0,1%	0,1%
Individuals	3,0%	1,0%	0,6%
Foreign Investors	0,9%	0,9%	0,9%
Other Corporations	3,8%	1,8%	0,9%
Credit Institutions	3,7%	3,3%	2,1%
Pension Funds	68,6%	81,0%	89,6%
Insurance Companies	2,5%	1,2%	0,7%
Securities and Investm. Funds	13,5%	9,8%	4,3%
Others	2,1%	0,9%	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.

March 2017

Summary

- Total lending amounted to ISK 2.2bn
- Nearly 98% of households are performing on their loans
- Underlying loan value in arrears equals 2,8% of loan portfolio
- HFF's apartments numbered 585 whereof 356 apartments are rented out

HFF Lending Rate

4.20% fixed rate

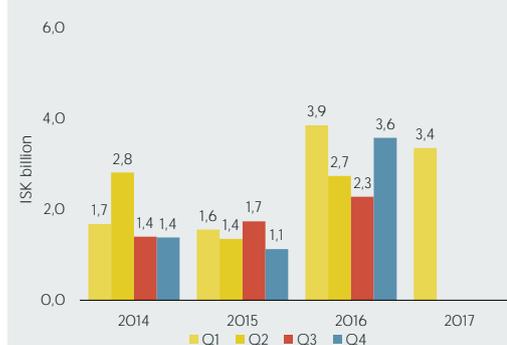
Yield of HFF Bonds



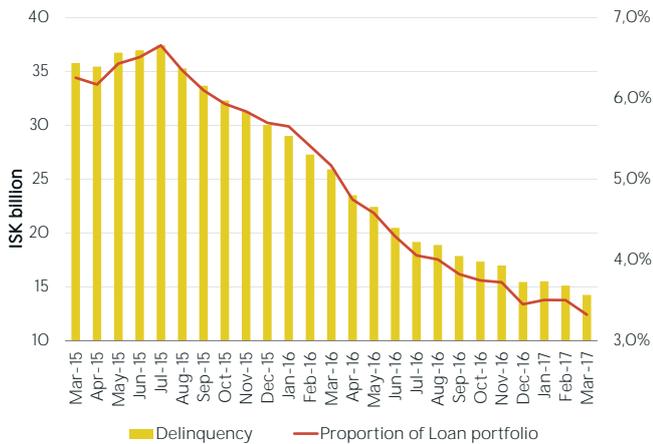
Series	Jan 2016	Feb 2016	Mar 2017	Duration	Face value	Outst.n. value
HFF24	2,97%	3,01%	3,12%	3,5	160,4	70,0
HFF34	2,67%	2,66%	2,59%	8,1	171,7	122,1
HFF44	2,61%	2,64%	2,60%	12,3	269,5	222,9

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of March'17
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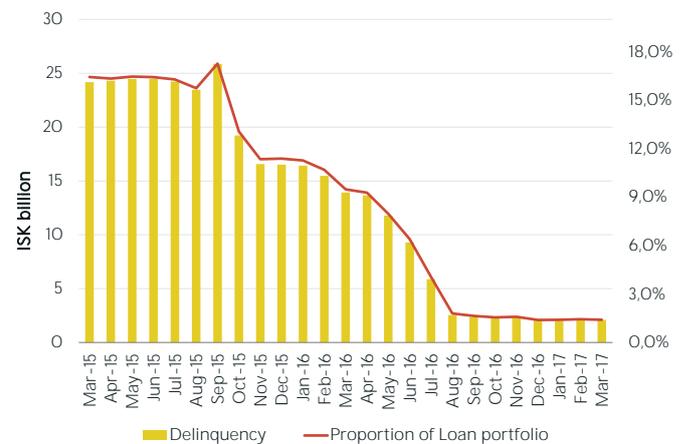
Total Lending by Quarter



Individuals - Delinquency



Legal Entities - Delinquency



HFF's Apartments held for sale

Property portfolio

The HFF owned 585 properties throughout Iceland by the end of March. Over the course of the month, the fund sold 24 properties and 1 apartment was added to the HFF's portfolio. In addition, purchase offers for 47 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 189 properties, most of which are already available for purchase, others are going through sales registration. A number of 356 apartments were rented throughout the country. A majority were rented to families and individuals who resided in the properties when the HFF acquired the properties.

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 to 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 March 551 properties or 94% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 34 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.03.2017

	For sale	Rented	Empty	In process	Total Mar'17	Total Feb'17
Capital Area	21	73	9	2	105	105
Sth. Peninsula	11	104	7	0	122	125
Western Region	37	47	2	0	86	92
Westfjords	19	14	5	1	39	41
Northw. Region	8	5	0	0	13	14
Northe. Region	23	16	1	1	41	42
Eastern Region	45	31	1	0	77	80
Southern Region	25	66	9	2	102	109
Total	189	356	34	6	585	608

Sold properties

