

## Market news

On February 13, Moody's affirmed its Baa1 credit ratings on Housing Financing Fund (HFF) with stable outlook.

Total lending by the HFF in February 2017 amounted to ISK 733m, whereof 261m were mortgages for privately owned homes. In comparison, in January 2016, these loans amounted to ISK 271m. The average amount of mortgages for privately owned homes was ISK 11.9m.

The yield of classes HFF24 and HFF44 rose in February. The yield of HFF24 rose by 4 bp and HFF44 by 3 bp. The yield of HFF34 declined by 1 bp. The total turnover of HFF bonds amounted to ISK 4.0bn this month, compared to ISK 5.3bn in January 2017.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 10.8bn in February. Prepayments amounted to ISK 3.5bn.

## Development of defaulted loans

By the end of February, defaulted loans to individuals amounted to ISK 1.5bn, with the underlying loan value around ISK 15.1bn or approximately 3.5% of HFF's loan portfolio to privately owned homes. There are 836 households currently in arrears.

The amount of defaulted loans to legal entities was around ISK 544m with an underlying loan value of ISK 2.1 bn. Thus 1.4% of the Fund's loans to legal entities are connected to defaults.

The total amount in default was ISK 2.0bn at the end of the month compared to ISK 2.1bn at the end of last year. Defaults are a total of 3.0% of the Fund's loan portfolio. The corresponding percentage in February 2016 was 6.6%.

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

## Outst. amount in the securities lending facility at the end of Feb

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,5	0,3

## HFF Auctions, Lending and Payments

Actual figures 2016	Jan-Feb
HFF bond issuance (NV)	0,0
New HFF lending	1,2
HFF total payments	11,0

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	1,5%	0,1%	0,1%
Individuals	2,9%	1,0%	0,6%
Foreign Investors	0,9%	0,9%	0,9%
Other Corporations	3,9%	1,8%	0,9%
Credit Institutions	3,7%	3,2%	2,1%
Pension Funds	68,3%	80,9%	89,6%
Insurance Companies	2,7%	1,2%	0,7%
Securities and Investm. Funds	13,9%	9,9%	4,2%
Others	2,0%	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.

## February 2017

### Summary

- Total lending amounted to ISK 733m
- Nearly 98% of households are performing on their loans
- Underlying loan value in default equals 3,0% of loan portfolio
- HFF's apartments numbered 608 whereof 356 apartments are rented out

### HFF Lending Rate

4.20% fixed rate

### Yield of HFF Bonds



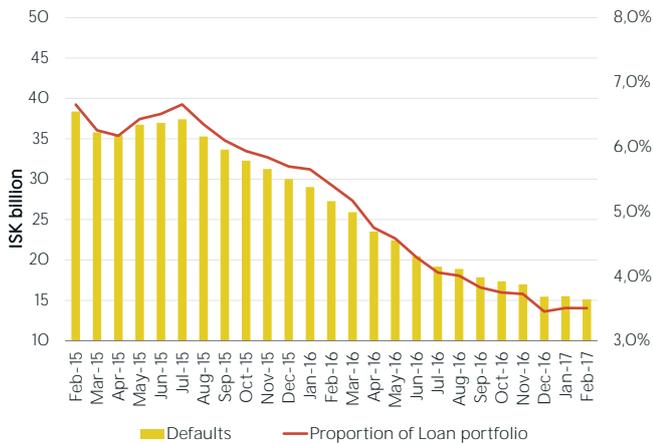
Series	Dec 2016	Jan 2016	Feb 2017	Duration	Face value	Outst.n. value
HFF24	2,98%	2,97%	3,01%	3,5	160,4	70,0
HFF34	2,70%	2,67%	2,66%	8,1	171,7	122,1
HFF44	2,65%	2,61%	2,64%	12,3	269,5	222,9

\*Yield on the last trading day of each month  
Duration (yrs) and class size (BISK) as of end of February'17  
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.

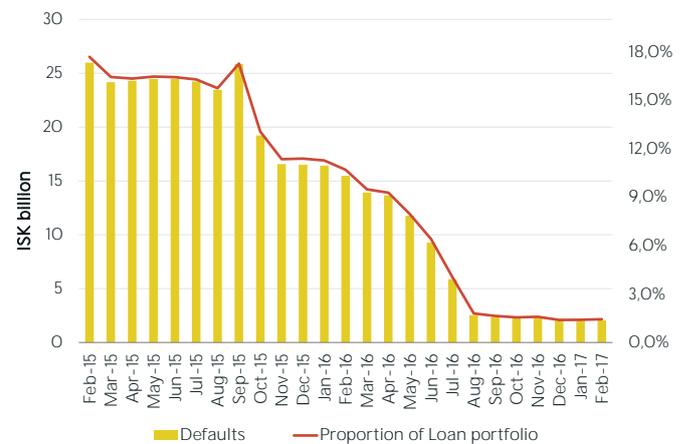
### Total Lending by Quarter



## Individuals - Defaults



## Legal Entities - Defaults



## HFF's Apartments held for sale

### Property portfolio

The HFF owned 608 properties throughout Iceland by the end of February. Over the course of the month, the fund sold 38 properties and 4 apartments were added to the HFF's portfolio. In addition, purchase offers for 49 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 216 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 them.

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 February 586 properties or 96% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 14 properties await assessment and will they either be rented out or go into sales process.

### HFF's Property According to Regions and Status, 28.02.2017

	For sale	Rented	Empty	In process	Total Feb'17	Total Jan'17
Capital Area	23	73	6	3	105	107
Sth. Peninsula	14	107	4	0	125	141
Western Region	45	44	3	0	92	97
Westfjords	21	14	4	2	41	44
Northw. Region	9	5	0	0	14	14
Northe. Region	24	16	0	2	42	43
Eastern Region	48	31	0	1	80	81
Southern Region	32	66	5	6	109	115
<b>Total</b>	<b>216</b>	<b>356</b>	<b>22</b>	<b>14</b>	<b>608</b>	<b>642</b>

### Sold properties

