

Market news

Total lending by the HFF in January 2017 amounted to ISK 421m, whereof 271m were mortgages for privately owned homes. In comparison, in December 2016, these loans amounted to ISK 325m. The average amount of mortgages for privately owned homes was ISK 12.3m.

The yield of all classes of HFF bonds declined in January. The yield of HFF24 declined by 1 bp, HFF34 by 3 bp and HFF44 by 5 bp. The total turnover of HFF bonds amounted to ISK 5.3bn this month, compared to ISK 5.0bn in December 2016.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 231m in January. Prepayments amounted to ISK 5bn.

Development of defaulted loans

By the end of January, defaulted loans to individuals amounted to ISK 1.5bn, with the underlying loan value around ISK 15.5bn or approximately 3.5% of HFF's loan portfolio to privately owned homes. There are 849 households currently in arrears.

The amount of defaulted loans to legal entities was around ISK 529m with an underlying loan value of ISK 2.0bn. Thus 1.4% of the Fund's loans to legal entities are connected to defaults.

The total amount in default was ISK 2.1bn 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 January 2016 was 6.9%.

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

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

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

HFF Auctions, Lending and Payments

Actual figures 2016	Jan
HFF bond issuance (NV)	0,0
New HFF lending	0,4
HFF total payments	0,2

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	1,2%	0,2%	0,2%
Individuals	3,0%	1,0%	0,6%
Foreign Investors	0,9%	1,0%	1,0%
Other Corporations	3,9%	1,7%	0,9%
Credit Institutions	3,7%	3,2%	2,1%
Pension Funds	68,4%	80,6%	89,5%
Insurance Companies	2,7%	1,2%	0,7%
Securities and Investm. Funds	14,1%	10,2%	4,3%
Others	2,0%	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.

January 2017

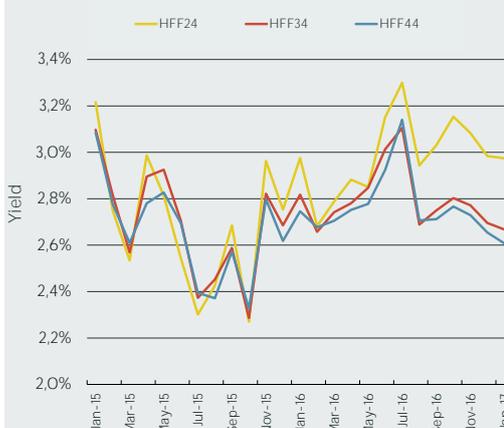
Summary

- Total lending amounted to ISK 421m
- Nearly 98% of households are performing on their loans
- Underlying loan value in default equals 3,0% of loan portfolio
- HFF's apartments numbered 642 whereof 359 apartments are rented out

HFF Lending Rate

4.20% fixed rate

Yield of HFF Bonds



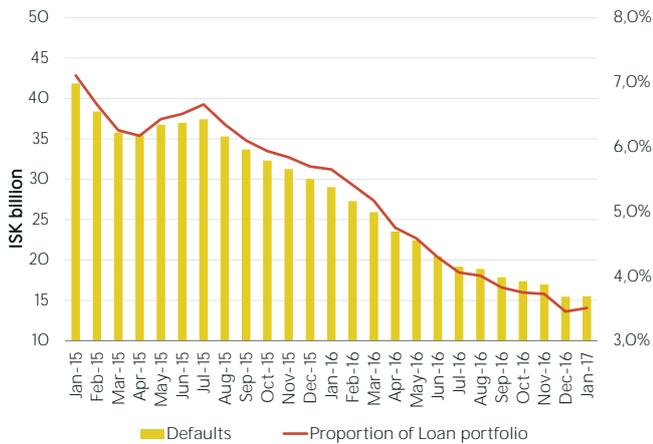
Series	Nov 2016	Dec 2016	Jan 2017	Dur- ation	Face value	Outst.n. value
HFF24	3,08%	2,98%	2,97%	3,5	160,4	74,4
HFF34	2,77%	2,70%	2,67%	8,1	171,7	122,1
HFF44	2,73%	2,65%	2,61%	12,3	269,5	222,9

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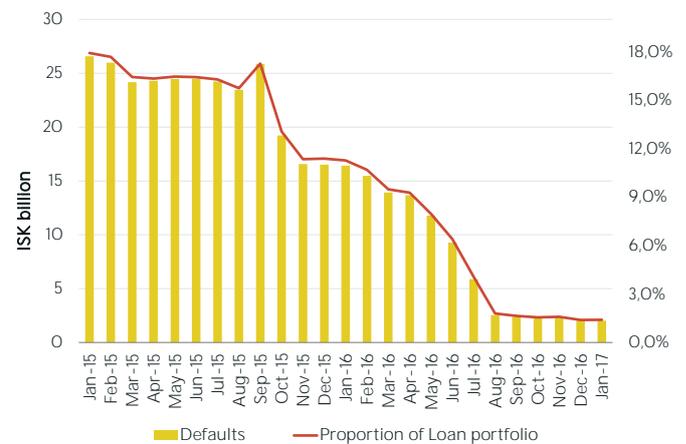
Total Lending by Quarter



Individuals - Defaults



Legal Entities - Defaults



HFF's Apartments held for sale

Property portfolio

The HFF owned 642 properties throughout Iceland by the end of January. Over the course of the month, the fund sold 25 properties and 5 apartments were added to the HFF's portfolio. In addition, purchase offers for 62 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 250 properties, most of which are already available for purchase others are going through sales registration. A number of 359 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 January 624 properties or 97% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 18 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.01.2017

	For sale	Rented	Empty	In process	Total Jan'17	Total Dec'16
Capital Area	24	74	4	5	107	111
Sth. Peninsula	30	107	4	0	141	147
Western Region	50	45	2	0	97	98
Westfjords	24	14	4	2	44	44
Northw. Region	9	5	0	0	14	14
Northe. Region	25	16	0	2	43	47
Eastern Region	48	31	1	1	81	82
Southern Region	40	67	3	5	115	119
Total	250	359	18	15	642	662

Sold properties

