

## Market news

On October 25, Standard & Poor's affirmed its BB/B rating on the Housing Financing Fund (HFF) and revised the outlook from stable to positive on improved operating conditions.

Additional calls of ISK 228m nominal value Housing bonds were made in October, to be paid in December. Additional calls are expected to be made on an ongoing basis, to equalize HFF's cash flow as a result of prepayments, pursuant to statutory provisions within Housing Act No. 44/1998, as subsequently amended.

Total lending by the HFF in October 2016 amounted to ISK 2,334m, whereof 334m were mortgages for privately owned homes. In comparison, in September 2016, these loans amounted to ISK 183m. The average amount of mortgages for privately owned homes was ISK 11.5m.

The yield of all classes of HFF bonds rose in October. The yield of HFF24 rose by 12 bp, HFF34 by 5 bp and HFF44 by 5 bp. The total turnover of HFF bonds amounted to ISK 3.5bn this month, compared to ISK 6.5bn in September 2016. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 9.6bn in October. Prepayments amounted to ISK 4.6bn.

## Development of defaulted loans

By the end of October, defaulted loans to individuals amounted to ISK 1.7bn, with the underlying loan value around ISK 17.4bn or approximately 3.8% of HFF's loan portfolio to privately owned homes. There are 936 households currently in arrears. The amount of defaulted loans to legal entities was around ISK 533m with an underlying loan value of ISK 2.3bn. Thus 1.6% of the Fund's loans to legal entities are connected to defaults.

The total amount in default was ISK 2.2bn at the end of the month compared to ISK 2.4bn at the end of September. Defaults are a total of 3.2% of the Fund's loan portfolio. The corresponding percentage in October 2015 was 7.5%.

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

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

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

## HFF Auctions, Lending and Payments

Actual figures 2016	Oct	YTD
HFF bond issuance (NV)	0	0,0
New HFF lending	2,3	11,2
HFF total payments	9,6	57,3

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,6%	0,1%	0,2%
Individuals	3,0%	1,0%	0,6%
Foreign Investors	0,9%	1,0%	1,0%
Other Corporations	4,0%	1,7%	0,9%
Credit Institutions	3,7%	3,2%	2,1%
Pension Funds	66,3%	80,3%	89,5%
Insurance Companies	2,8%	1,2%	0,7%
Securities and Investm. Funds	16,5%	10,7%	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.

## October 2016

### Summary

- Total lending amounted to ISK 2,334m
- Nearly 98% of households are performing on their loans
- Underlying loan value in default equals 3.2% of loan portfolio
- HFF's apartments numbered 716 whereof 376 apartments are rented out

### HFF Lending Rate

4.20% fixed rate

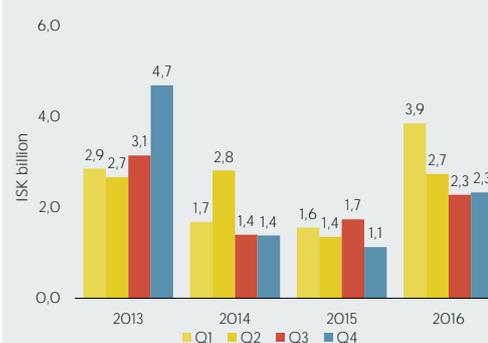
### Yield of HFF Bonds



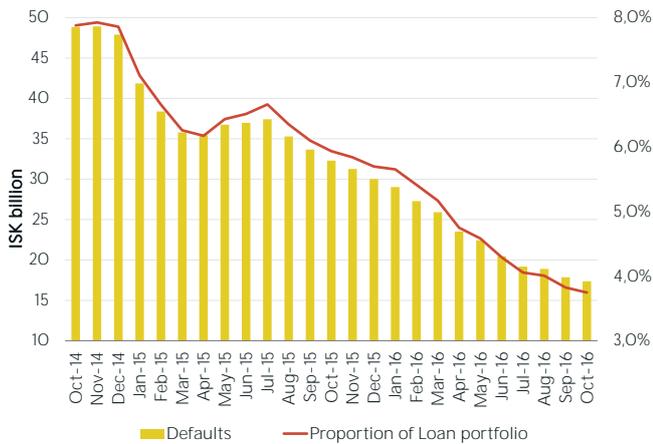
Series	Aug 2016	Sep 2016	Oct 2016	Dur-ation	Face value	Outst.n. value
HFF24	2,94%	3,03%	3,15%	3,7	160,4	74,4
HFF34	2,69%	2,75%	2,80%	8,1	171,7	122,1
HFF44	2,71%	2,71%	2,77%	12,2	269,5	225,2

\*Yield on the last trading day of each month  
Duration (yrs) and class size (BISK) as of end of October '16  
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.

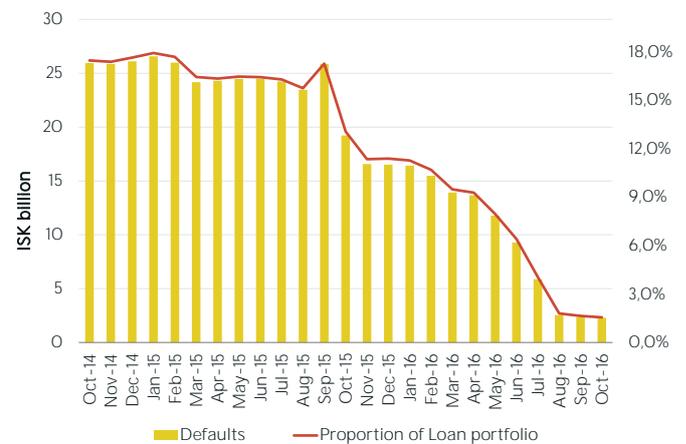
### Total Lending by Quarter



## Individuals - Defaults



## Legal Entities - Defaults



## HFF's Apartments held for sale

### Property portfolio

The HFF owned 716 properties throughout Iceland by the end of October. Over the course of the month, the fund sold 37 properties and 20 apartments were added to the HFF's portfolio. In addition, purchase offers for 86 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 239 properties, most of which are already available for purchase others are going through sales registration. A number of 376 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 October 652 properties or 91% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 64 properties await assessment and will they either be rented out or go into sales process.

### HFF's Property According to Regions and Status, 31.10.2016

	For sale	Rented	Empty	In process	Total Oct'16	Total Sep'16
Capital Area	20	79	15	14	128	132
Sth. Peninsula	38	112	4	7	161	169
Western Region	42	47	12	1	102	102
Westfjords	25	13	3	3	44	42
Northw. Region	6	6	2	0	14	14
Northe. Region	22	15	9	3	49	53
Eastern Region	43	31	9	2	85	86
Southern Region	43	73	10	7	133	135
<b>Total</b>	<b>239</b>	<b>376</b>	<b>64</b>	<b>37</b>	<b>716</b>	<b>733</b>

### Sold properties

