

Market news

Total lending by the Housing Financing Fund (HFF) in May 2016 amounted to ISK 1.7bn, whereof 290m were mortgages for privately owned homes. In comparison, in April 2016, these loans amounted to ISK 163m. The average amount of mortgages for privately owned homes was ISK 9.7m.

The Board of Directors approved a new organizational chart on May 25th. After the organisational changes, the operation of the HFF will be under two income departments: Finance and Corporate, and one support department: Operations. Other arrangements have been introduced to increase the profitability of the HFF including the sale of Klettur Property Management ehf. The accepted price for Klettur exceeded book value by ISK 1.5bn. Moody's has confirmed the positive impact of the fund's sale of Klettur. On May 11th, 2016, Moody's also affirmed its Baa3 issuer credit ratings on HFF with stable outlook.

The yield of class HFF24 bonds decreased by 3 basis points in May. The yield of HFF34 rose by 7 bp and HFF44 by 3 bp. The total turnover of HFF bonds amounted to ISK 5.8bn this month, compared to ISK 5.2bn in April 2016. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 162m in May. Prepayments amounted to ISK 2.4bn.

Development of defaulted loans

By the end of May, defaulted loans to individuals amounted to ISK 2.4bn, with the underlying loan value of ISK 22,4bn or approximately 4.6% of HFF's loan portfolio to privately owned homes. There are 1,182 households currently in arrears. The proportion of the underlying loan value of legal entities in arrears decreased in May.

The amount of defaulted loans to legal entities was around ISK 2.5bn with an underlying loan value of ISK 12.7bn. Thus 7.9% of the Fund's loans to legal entities are connected to defaults. The total amount in default was ISK 4.9bn at the end of the month compared to ISK 5.4bn at the end of April. Defaults are a total of 5.4% of the Fund's loan portfolio. The corresponding percentage in May 2015 was 8.5%.

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

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

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,2	0,8	0,7

HFF Auctions, Lending and Payments

Actual figures 2016	May	YTD
HFF bond issuance (NV)	0	0,0
New HFF lending	1,7	5,4
HFF total payments	0,2	24,0

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,4%	0,4%	0,2%
Individuals	3,5%	1,1%	0,6%
Foreign Investors	1,2%	1,0%	1,0%
Other Corporations	4,3%	1,6%	0,9%
Credit Institutions	3,6%	3,0%	2,0%
Pension Funds	62,8%	78,6%	89,4%
Insurance Companies	3,0%	1,3%	0,7%
Securities and Investm. Funds	19,2%	12,1%	4,6%
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.

May 2016

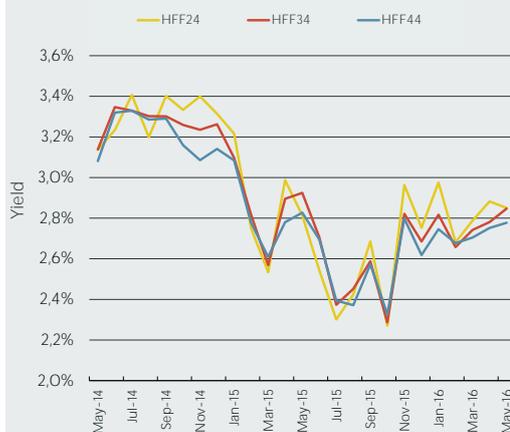
Summary

- Total lending amounted to ISK 1.7 billion
- Prepayments amounted to ISK 2.4 billion
- Defaulted loans to individuals amounted to ISK 2.4 billion.
- Underlying loan value to individuals in default equals 4.6% of loan portfolio
- HFF's appropriated properties numbered 900 whereof 410 apartments are rented out

HFF Lending Rate

4.20% fixed rate

Yield of HFF Bonds



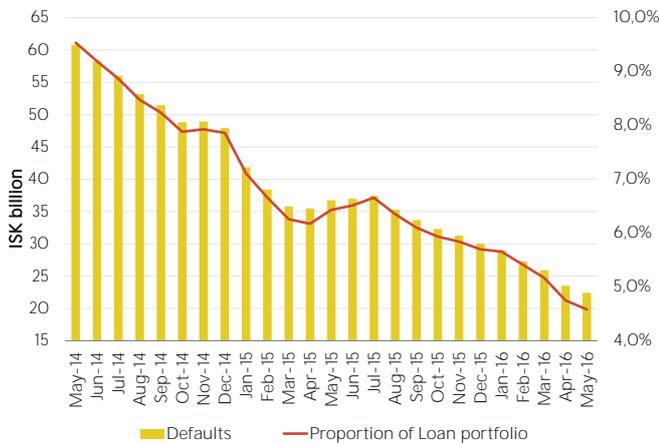
Series	Mar 2016	Apr 2016	May 2016	Duration	Face value	Outst.n. value
HFF24	2,79%	2,88%	2,85%	3,8	160,4	78,6
HFF34	2,74%	2,78%	2,85%	8,4	171,7	124,6
HFF44	2,71%	2,75%	2,78%	12,2	269,5	227,5

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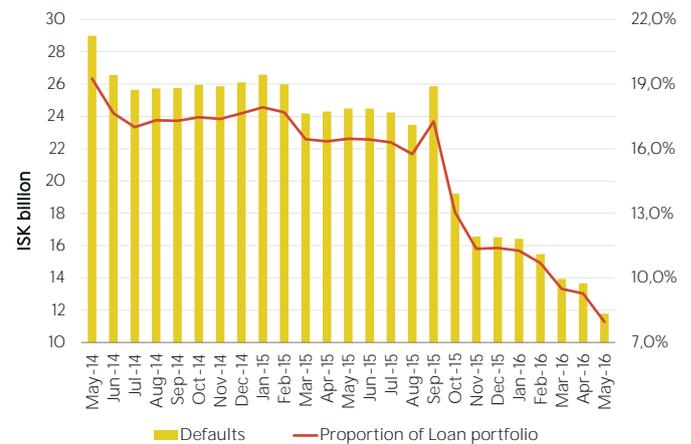
Total Lending by Quarter



Individuals - Defaults



Legal Entities - Defaults



HFF's Appropriated Property

Property portfolio

The HFF owned 900 appropriated assets throughout Iceland by the end of May. Over the course of the month, the fund sold 235 properties and 19 appropriated assets were added to the HFF's portfolio. In addition, purchase offers for 135 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 393 properties, most of which are already available for purchase, others are going through sales registration. A number of 410 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 May, 848 properties or 94% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 52 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.05.2016

	For sale	Rented	Empty	In process	Total May'16	Total Apr'16
Capital Area	24	88	11	10	133	220
Sth. Peninsula	112	127	8	10	257	361
Western Region	64	48	2	3	117	117
Westfjords	24	13	12	5	54	54
Northw. Region	13	5	1	0	19	19
Northe. Region	40	16	1	5	62	84
Eastern Region	61	37	1	4	103	106
Southern Region	55	76	16	8	155	157
Total	393	410	52	45	900	1.118

Sold properties

