

## Market news

Total lending by the Housing Financing Fund (HFF) in March 2016 amounted to ISK 1.5bn, whereof 244m were mortgages for privately owned homes. In comparison, in February 2016, these loans amounted to ISK 149m. The average amount of mortgages for privately owned homes was ISK 9.0m.

The HFF purchased on March 3rd asset-backed bonds, secured by mortgage loans issued by Arion Bank hf., for a total of ISK 13.5 bn, increasing the balance between assets and liabilities. The Housing Financing Fund's Consolidated Financial Statements for the year 2015 were published on March 4th. The key operating result are stronger equity base, increased credit quality and decreased operating expenses compared to the previous year.

The yield of all classes of HFF bonds rose in March. The yield of HFF24 rose by 11 basis points, HFF34 by 8 bp and the HFF44 by 3 bp. The total turnover of HFF bonds amounted to ISK 10.7bn this month, compared to ISK 9.1bn in February 2016. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 359m in March. Prepayments amounted to ISK 3.5bn compared to 3.4bn in February.

## Development of defaulted loans

Defaults connected to privately owned homes continue to decrease. By the end of March, defaulted loans to individuals amounted to ISK 2.7bn, with the underlying loan value of ISK 25.9bn or approximately 5.2% of HFF's loan portfolio to privately owned homes. There are 1,348 households currently in arrears. The proportion of the underlying loan value of legal entities in arrears also decreased in March.

The amount of defaulted loans to legal entities was around ISK 2.9bn with an underlying loan value of ISK 13.9bn. Thus 9.8% of the Fund's loans to legal entities are connected to defaults. The total amount in default was ISK 5.6bn at the end of the month compared to ISK 5.7bn at the end of February. Defaults are a total of 6.2% of the Fund's loan portfolio. The corresponding percentage in March 2015 was 8.3%. The underlying loan value of non-performing loans, both households' and legal entities', decreased by ISK 2.8bn over the month.

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

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

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0.3	0.8	1.2

## HFF Auctions, Lending and Payments

Actual figures 2016	Forecast 1Q	Actual 1Q	Actual Mar '16
HFF bond issuance (NV)	0	0	0.0
New HFF lending	0	3.3	1.5
HFF total payments	0	14.9	0.4

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0.6%	0.5%	0.1%
Individuals	3.5%	1.1%	0.7%
Foreign Investors	1.2%	1.0%	1.0%
Other Corporations	4.2%	1.6%	0.9%
Credit Institutions	3.6%	3.0%	1.8%
Pension Funds	63.4%	78.7%	89.6%
Insurance Companies	2.9%	1.4%	0.8%
Securities and Investm. Funds	18.7%	12.0%	4.5%
Others	1.8%	0.7%	0.6%
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 2016

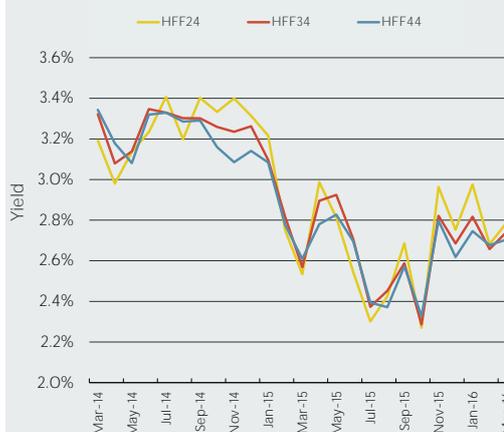
### Summary

- Total lending amounted to ISK 1.5 billion
- Prepayments amounted to ISK 3.5 billion
- Total amount in default was ISK 5.6 billion.
- Underlying loan amount in default equals 6.2% of loan portfolio
- HFF's appropriated properties numbered 1,287 whereof 606 apartments are rented out

### HFF Lending Rate

4.20% fixed rate

### Yield of HFF Bonds



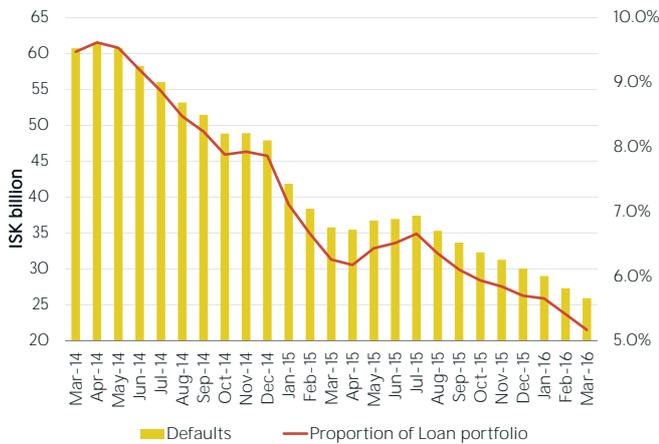
Series	Jan 2016	Feb 2016	Mar 2016	Duration	Face value	Outst.n. value
HFF24	2.98%	2.68%	2.79%	4.0	160.4	78.6
HFF34	2.82%	2.66%	2.74%	8.3	171.7	127.0
HFF44	2.75%	2.68%	2.71%	12.4	269.5	227.5

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

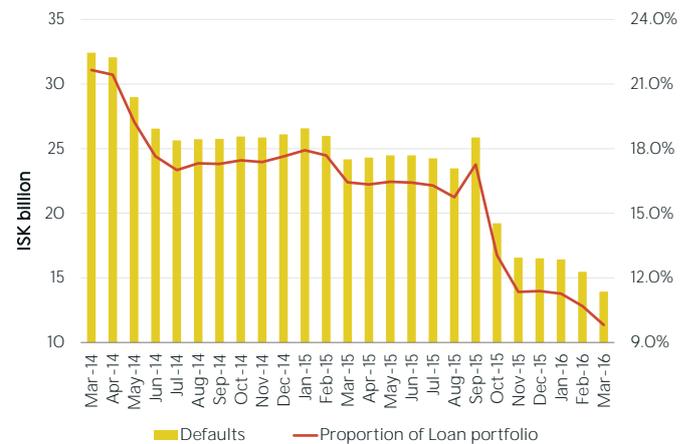
### Total Lending by Quarter



## Individuals - Defaults



## Legal Entities - Defaults



## HFF's Appropriated Property

### Property portfolio

The HFF owned 1,287 appropriated assets throughout Iceland by the end of March. Over the course of the month, the fund sold 46 properties and 33 appropriated assets were added to the HFF's portfolio. In addition, purchase offers for 474 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 504 properties, most of which are already available for purchase others are going through sales registration. A number of 606 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 March 1,160 properties or 90% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 127 properties await assessment and will they either be rented out or go into sales process.

### HFF's Property According to Regions and Status, 31.03.2016

	For sale	Rented	Empty	In process	Total Mar'16	Total Feb'16
Capital Area	36	145	16	18	215	212
Sth. Peninsula	166	179	27	10	382	392
Western Region	67	56	18	4	145	142
Westfjords	30	11	10	1	52	54
Northw. Region	13	5	1		19	18
Northe. Region	35	34	10	4	83	82
Eastern Region	92	98	37	4	231	234
Southern Region	65	78	8	9	160	166
<b>Total</b>	<b>504</b>	<b>606</b>	<b>127</b>	<b>50</b>	<b>1,287</b>	<b>1,300</b>

### Sold properties

