

Market news

Total lending by the Housing Financing Fund (HFF) in February 2016 amounted to ISK 1.6bn, whereof 149m were mortgages for privately owned homes. In comparison, in January 2016, these loans amounted to ISK 266m. The average amount of mortgages for privately owned homes was ISK 9.3m.

The yield of all classes of HFF bonds declined in February. The yield of HFF24 decreased by 29 basis points, HFF34 by 16 bp and the HFF44 by 7 bp. The total turnover of HFF bonds amounted to ISK 9.1bn this month, compared to ISK 10.4bn in January 2016.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 10.6bn in February. Prepayments amounted to ISK 3.3bn compared to 2.9bn in January.

Development of defaulted loans

Defaults connected to privately owned homes continue to decrease. By the end of February, defaulted loans to individuals amounted to ISK 2.7bn, with the underlying loan value of ISK 27.3bn or approximately 5.4% of HFF's loan portfolio to privately owned homes. There are 1,309 households currently in arrears.

The proportion of the underlying loan value of legal entities in arrears also decreased in February. The amount of defaulted loans to legal entities was around ISK 3.0bn with an underlying loan value of ISK 15.5bn. Thus 10.7% of the Fund's loans to legal entities are connected to defaults.

The total amount in default was ISK 5.7bn at the end of the month compared to ISK 6.1bn at the end of January. Defaults are a total of 6.6% of the Fund's loan portfolio. The corresponding percentage in February 2015 was 8.9%. The underlying loan value of non-performing loans, both households' and legal entities', decreased by ISK 2.7bn 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 Feb.

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,5	0,5	1,1

HFF Auctions, Lending and Payments

Actual figures 2016	Forecast 1Q	Actual 1Q	Actual Feb '16
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,9	1,6
HFF total payments	0	14,5	10,6

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,6%	0,4%	0,0%
Individuals	3,5%	1,1%	0,7%
Foreign Investors	1,2%	1,0%	1,0%
Other Corporations	4,2%	1,5%	0,9%
Credit Institutions	3,4%	3,2%	1,8%
Pension Funds	63,8%	78,4%	89,7%
Insurance Companies	3,1%	1,4%	0,8%
Securities and Investm. Funds	18,3%	12,1%	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.

February 2016

Summary

- Total lending amounted to ISK 1.6 billion
- Prepayments amounted to ISK 3.3 billion
- Total amount in default decreased by 5,4% and was ISK 5.7 billion.
- Underlying loan amount in default equals 6.6% of loan portfolio
- HFF's appropriated properties numbered 1,300 whereof 615 apartments are rented out

HFF Lending Rate

4.20% fixed rate

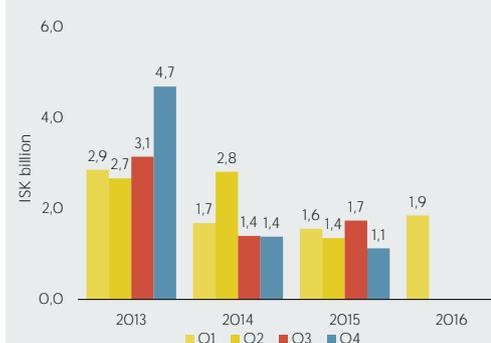
Yield of HFF Bonds



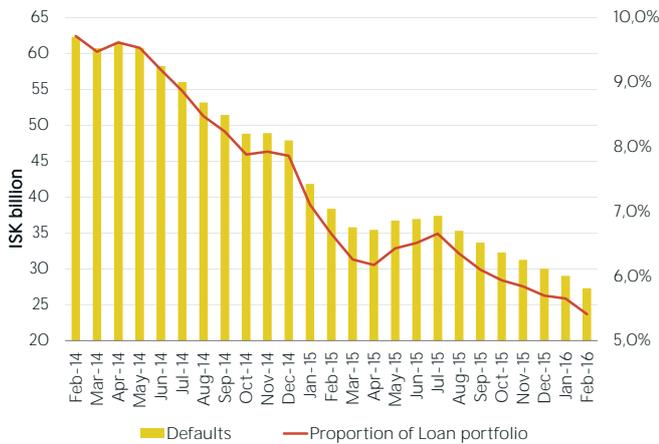
Series	Dec 2015	Jan 2015	Feb 2016	Duration	Face value	Outst.n. value
HFF24	2,75%	2,98%	2,68%	4,1	160,4	78,6
HFF34	2,69%	2,82%	2,66%	8,4	171,7	127,0
HFF44	2,62%	2,75%	2,68%	12,5	269,5	227,5

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

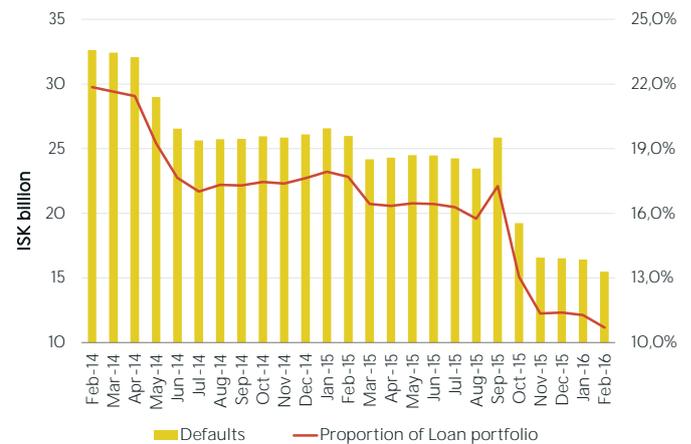
Total Lending by Quarter



Individuals - Defaults



Legal Entities - Defaults



HFF's Appropriated Property

Property portfolio

The HFF owned 1,300 appropriated assets throughout Iceland by the end of February. Over the course of the month, the fund sold 46 properties and 23 appropriated assets were added to the HFF's portfolio. In addition, purchase offers for 142 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 550 properties, most of which are already available for purchase others are going through sales registration. A number of 615 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 February 1,191 properties or 92% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 109 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 29.02.2016

	For sale	Rented	Empty	In process	Total Feb'16	Total Jan'16
Capital Area	44	148	12	8	212	212
Sth. Peninsula	182	183	23	4	392	408
Western Region	70	53	16	3	142	146
Westfjords	32	13	9		54	56
Northw. Region	13	4	1		18	17
Northe. Region	36	35	7	4	82	81
Eastern Region	97	102	33	2	234	233
Southern Region	76	77	8	5	166	170
Total	550	615	109	26	1.300	1.323

Sold properties

