

Market news

Total lending by the HFF in December 2016 amounted to ISK 696m, whereof 325m were mortgages for privately owned homes. In comparison, in November 2016, these loans amounted to ISK 225m. The average amount of mortgages for privately owned homes was ISK 12.0m. In 2016 the Fund issued around 900 mortgages, The total issued amount was ISK 12.5bn whereof ISK 2.8bn were mortgages for privately owned homes.

The yield of all classes of HFF bonds declined in December. The yield of HFF24 declined by 10 bp, HFF34 by 8 bp and HFF44 by 7 bp. The total turnover of HFF bonds amounted to ISK 5.0bn this month, compared to ISK 5.8bn in November 2016.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 13.6bn in December. Prepayments amounted to ISK 5.9bn.

Development of defaulted loans

By the end of December, defaulted loans to individuals amounted to ISK 1.6bn, with the underlying loan value around ISK 15.5bn or approximately 3.5% of HFF's loan portfolio to privately owned homes. There are 857 households currently in arrears. Households in arrears have decreased by 490 since the beginning of the year when they were 1,348.

The amount of defaulted loans to legal entities was around ISK 530m 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 6.2bn at the end of last year. Defaults are a total of 2.9% of the Fund's loan portfolio. The corresponding percentage in December 2015 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 Dec

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,0	0,5	0,4

HFF Auctions, Lending and Payments

Actual figures 2016	Dec	2016
HFF bond issuance (NV)	0	0,0
New HFF lending	0,7	12,5
HFF total payments	13,6	71,3

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,4%	0,2%	0,1%
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	68,9%	80,6%	89,6%
Insurance Companies	2,9%	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.

December 2016

Summary

- Total lending amounted to ISK 696m
- Nearly 98% of households are performing on their loans
- Loan amount in default decreased by ISK 4bn over the year
- HFF's apartments numbered 662 whereof 368 apartments are rented out

HFF Lending Rate

4.20% fixed rate

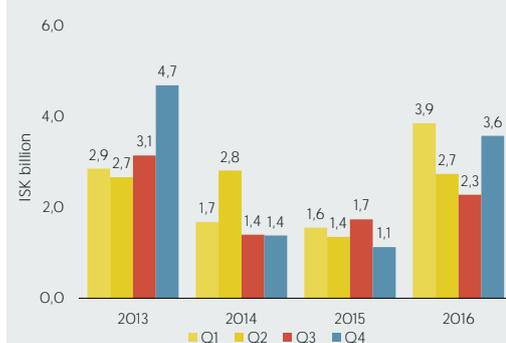
Yield of HFF Bonds



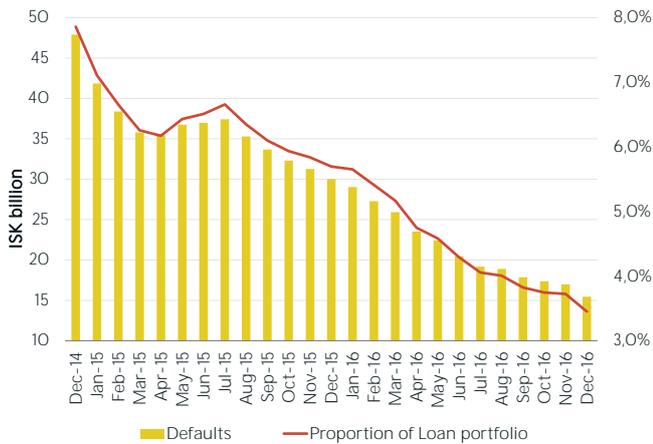
Series	Oct 2016	Nov 2016	Dec 2016	Dur- ation	Face value	Outst.n. value
HFF24	3,15%	3,08%	2,98%	3,5	160,4	74,4
HFF34	2,80%	2,77%	2,70%	8,1	171,7	122,1
HFF44	2,77%	2,73%	2,65%	12,3	269,5	222,9

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

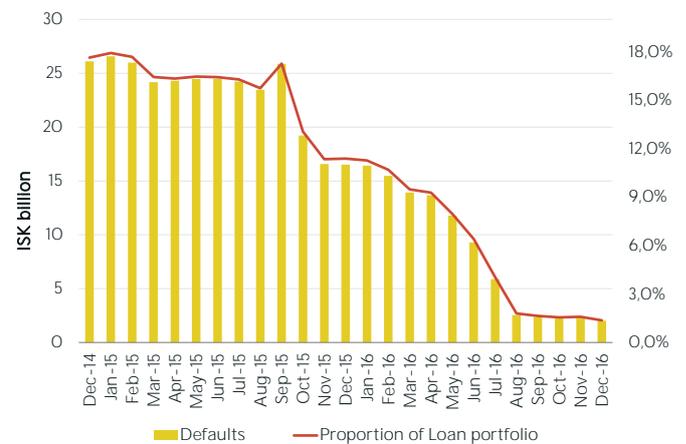
Total Lending by Quarter



Individuals - Defaults



Legal Entities - Defaults



HFF's Apartments held for sale

Property portfolio

The HFF owned 662 properties throughout Iceland by the end of December. Over the course of the month, the fund sold 38 properties and 2 apartments were added to the HFF's portfolio. In addition, purchase offers for 66 properties have been accepted and bidders are currently engaged in financing the purchases.

The HFF sold 890 properties this year. A total of 204 assets have been added since the beginning of the year. According to the Fund's plans for the year, the portfolio was expected to decrease by 550 assets. Thus a net decrease of 686 assets exceeded expectations.

Undergoing the sales process were 268 properties, most of which are already available for purchase others are going through sales registration. A number of 368 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 December 653 properties or 99% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 9 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.12.2016

	For sale	Rented	Empty	In process	Total Dec'16	Total Nov'16
Capital Area	29	75	2	5	111	122
Sth. Peninsula	31	111	3	2	147	155
Western Region	51	47	0	0	98	102
Westfjords	25	14	3	2	44	44
Northw. Region	9	5	0	0	14	14
Northe. Region	29	16	0	2	47	49
Eastern Region	49	31	1	1	82	84
Southern Region	45	69	0	5	119	128
Total	268	368	9	17	662	698

Sold properties

