

Market news

Total lending by the Housing Financing Fund (HFF) in April 2016 amounted to ISK 360m, whereof 163m were mortgages for privately owned homes. In comparison, in March 2016, these loans amounted to ISK 244m. The average amount of mortgages for privately owned homes was ISK 9.0m.

The HFF and Heimavellir slhf. signed an agreement on April 20th for the latter to purchase 139 apartments from the HFF for a total of 1.829 million ISK. The sale of these apartments will have a positive effect on the HFF operations.

The yield of all classes of HFF bonds rose in April. The yield of HFF24 rose by 9 basis points, HFF34 by 4 bp and the HFF44 by 5 bp. The total turnover of HFF bonds amounted to ISK 5.2bn this month, compared to ISK 10.7bn in March 2016. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 8.9bn in April. Prepayments amounted to ISK 2.4bn compared to 3.5bn in March.

Development of defaulted loans

Defaults connected to privately owned homes continue to decrease. By the end of April, defaulted loans to individuals amounted to ISK 2.4bn, with the underlying loan value of ISK 23.5bn or approximately 4.75% of HFF's loan portfolio to privately owned homes. There are 1,187 households currently in arrears.

The proportion of the underlying loan value of legal entities in arrears also decreased in April. The amount of defaulted loans to legal entities was around ISK 3.0bn with an underlying loan value of ISK 13.7bn. Thus 9.3% of the Fund's loans to legal entities are connected to defaults.

The total amount in default was ISK 5.4bn at the end of the month compared to ISK 5.6bn at the end of March. Defaults are a total of 5.8% of the Fund's loan portfolio. The corresponding percentage in April 2015 was 8.3%. 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 April.

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,4	0,8	0,8

HFF Auctions, Lending and Payments

Actual figures 2016	Forecast 2Q	Actual 2Q	Actual Apr '16
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,4	0,4
HFF total payments	0	8,9	8,9

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

April 2016

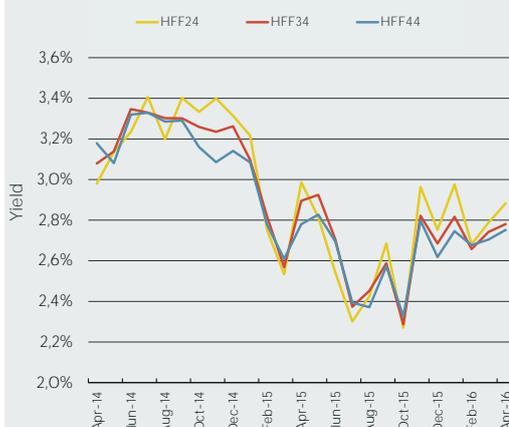
Summary

- Total lending amounted to ISK 360 million
- 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 4.75% of loan portfolio
- HFF's appropriated properties numbered 1,118 whereof 530 apartments are rented out

HFF Lending Rate

4.20% fixed rate

Yield of HFF Bonds



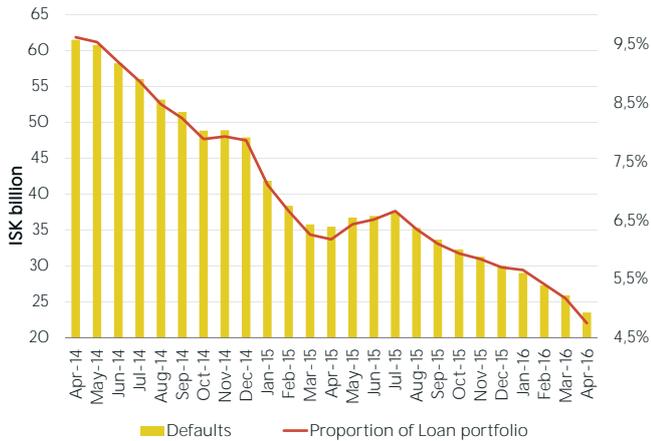
Series	Feb 2016	Mar 2016	Apr 2016	Dur- ation	Face value	Outst.n. value
HFF24	2,68%	2,79%	2,88%	4,1	160,4	78,6
HFF34	2,66%	2,74%	2,78%	8,4	171,7	124,6
HFF44	2,68%	2,71%	2,75%	12,5	269,5	227,5

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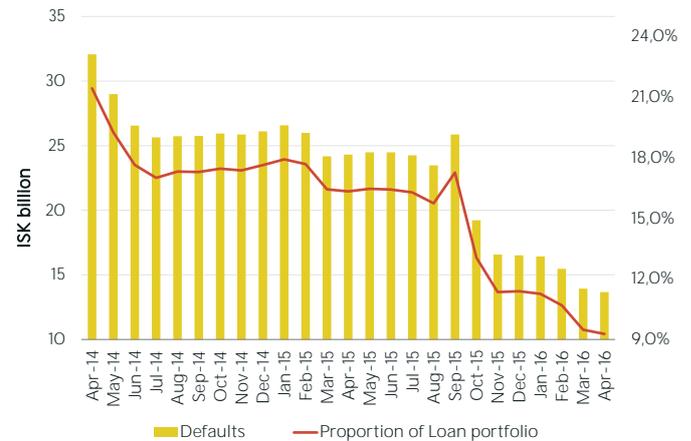
Total Lending by Quarter



Individuals - Defaults



Legal Entities - Defaults



HFF's Appropriated Property

Property portfolio

The HFF owned 1,118 appropriated assets throughout Iceland by the end of April. Over the course of the month, the fund sold 204 properties and 35 appropriated assets were added to the HFF's portfolio. In addition, purchase offers for 315 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 446 properties, most of which are already available for purchase others are going through sales registration. A number of 530 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 April 1,032 properties or 92% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 86 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 30.04.2016

	For sale	Rented	Empty	In process	Total Apr'16	Total Mar'16
Capital Area	40	154	11	15	220	215
Sth. Peninsula	154	171	21	15	361	382
Western Region	56	46	13	2	117	145
Westfjords	24	10	10	10	54	52
Northw. Region	13	5	1	0	19	19
Northe. Region	34	32	14	4	84	83
Eastern Region	65	37	2	2	106	231
Southern Region	60	75	14	8	157	160
Total	446	530	86	56	1.118	1.287

Sold properties

