

Market news

Total lending by the Housing Financing Fund (HFF) in January 2016 amounted to ISK 266m, all of which were mortgages for privately owned homes. In comparison, in December 2015, these loans amounted to ISK 252m. The average amount of mortgages for privately owned homes was ISK 10.3m.

On January 22nd both Moody's and Standard & Poor's affirmed their credit ratings on the HFF with stable outlook. The ratings were Baa3 and BB-/B respectively.

The yield of all classes of HFF bonds rose in January. The yield of HFF24 rose by 22 basis points, HFF34 by 13 bp and the HFF44 by 13 bp. The total turnover of HFF bonds amounted to ISK 10.4bn this month, compared to ISK 9.9bn in December 2015.

The HFF's payments due to HFF bonds and other liabilities amounted to ISK 3.9bn in January. Prepayments amounted to ISK 2.9bn compared to 3.7bn in December.

Development of defaulted loans

By the end of January, the amount of defaulted loans to individuals amounted to ISK 2.9bn, with the underlying loan value amounting to ISK 29.0bn or approximately 5.7% of HFF's loan portfolio to privately owned homes. Out of 41,890 households, that have their property loan from the HFF, 1,408 households are currently in arrears. The total number of households funded with HFF loans are over 50 thousand, whereof 8,500 are rental company apartments. The proportion of the underlying loan value of legal entities in arrears decreased in January. The amount of defaulted loans to legal entities was around ISK 3.1bn with an underlying loan value of ISK 16.4bn. Thus 11.3% of the Fund's loans to legal entities are connected to defaults.

Total amount in default amounted to ISK 6.1 billion, compared to ISK 6.2 billion at the end of last year. Defaults are a total of 6.9% of the Fund's loan portfolio. The corresponding percentage in January 2015 was 9.5%.

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

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

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,4	0,5	1,2

HFF Auctions, Lending and Payments

Actual figures 2016	Forecast 1Q	Actual 1Q	Actual Jan '16
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	0,3	0,3
HFF total payments	0	3,9	3,9

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,5%	0,5%	0,2%
Individuals	3,6%	1,2%	0,7%
Foreign Investors	1,2%	1,0%	1,0%
Other Corporations	4,1%	1,5%	0,9%
Credit Institutions	3,5%	3,2%	1,8%
Pension Funds	63,3%	76,7%	88,7%
Insurance Companies	3,2%	1,5%	0,8%
Securities and Investm. Funds	18,8%	13,8%	5,3%
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.

January 2016

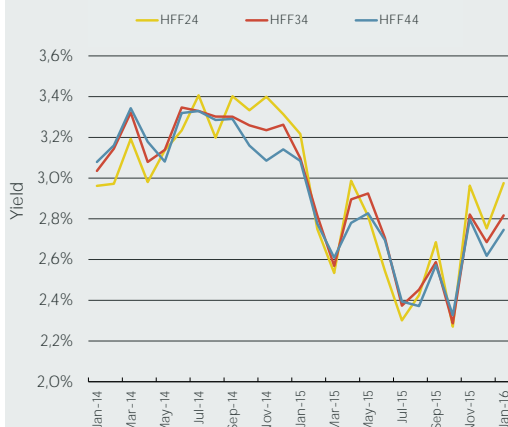
Summary

- New mortgages for privately owned homes amounted to ISK 266 million
- Prepayments amounted to ISK 2.9 billion
- Total amount in default amounted to ISK 6.1 billion
- Underlying loan amount in default equals 6.9% of loan portfolio
- HFF's appropriated properties numbered 1,323 whereof 609 apartments are rented out

HFF Lending Rate

4.20% fixed rate

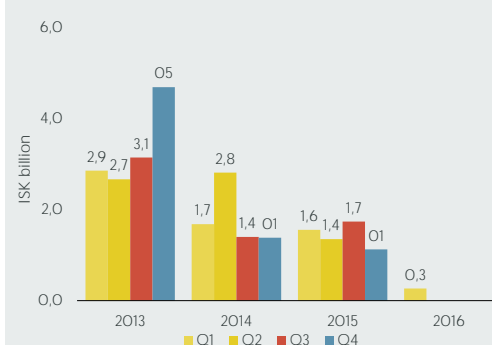
Yield of HFF Bonds



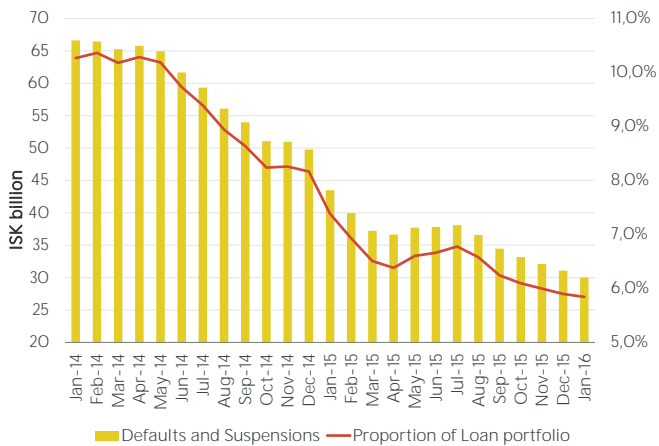
Series	Nov 2015	Dec 2015	Jan 2016	Dur- ation	Face value	Outst.n. value
HFF24	2,96%	2,75%	2,98%	3,9	160,4	82,8
HFF34	2,82%	2,69%	2,82%	8,4	171,7	127,0
HFF44	2,80%	2,62%	2,75%	12,6	269,5	227,5

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

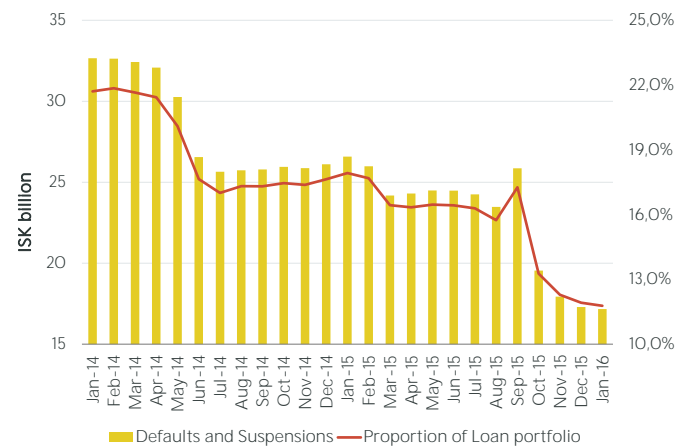
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,323 appropriated assets throughout Iceland by the end of January. Over the course of the month, the fund sold 41 property and 16 appropriated assets were added to the HFF's portfolio. In addition, purchase offers for 126 properties have been accepted and bidders are currently engaged in financing the purchases.

Undergoing the sales process were 597 properties, most of which are already available for purchase while others are going through sales registration. A number of 609 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 HFF's properties. The HFF has a partnership agreement with the Association of Estate Agents (Félag fasteignasala) as regards to 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 January 1,224 properties or 93% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 99 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.01.2016

	For sale	Rented	Empty	In process	Total Jan'16	Total Des'15
Capital Area	50	149	10	3	212	217
Sth. Peninsula	205	182	18	3	408	427
Western Region	74	53	16	3	146	141
Westfjords	34	13	9	0	56	56
Northw. Region	13	3	1		17	18
Northe. Region	39	34	5	3	81	81
Eastern Region	101	98	33	1	233	234
Southern Region	81	77	7	5	170	174
Total	597	609	99	18	1.323	1.348

Sold properties

