

Market news

Total lending by the Housing Financing Fund (HFF) in December 2015 amounted to ISK 261m, whereof ISK 252m were mortgages for privately owned homes. In comparison, in December 2014, these loans amounted to ISK 384m. The average amount of mortgages for privately owned homes was ISK 9.4m. In total, the issued amount for privately owned homes this year is ISK 4.2bn. The Fund issued a total of 363 mortgages for privately owned homes in 2015.

Changes to The Board of Directors of the Housing Financing Fund was announced on December 3, 2015. The Minister of Social Affairs and Housing appointed Sigurbjörn Ingimundarson Vice Chairman of the Board of Directors of the Housing Financing Fund (HFF) to replace Þorsteinn Arnalds. The Minister also appointed Valdimar Valdimarsson to the Board.

The yield of all classes of HFF bonds declined in December. The yield of HFF24 decreased by 21 basis points, HFF34 by 14 bp and the HFF44 by 18 bp. The total turnover of HFF bonds amounted to ISK 9.9bn this month, compared to ISK 22.8bn in November 2015. The total turnover in 2015 amounted to ISK 180.3bn. The HFF's payments due to HFF bonds and other liabilities amounted to ISK 3.4bn in December. Prepayments amounted to ISK 3.7bn compared to 5.8bn in November.

Development of defaulted loans

By the end of December, the amount of defaulted loans to individuals amounted to ISK 3.1bn, with the underlying loan value amounting to ISK 31.1bn or approximately 5.9% of HFF's loan portfolio to privately owned homes, compared to 6.0% in November. There are 1,547 households currently in arrears, whereof 59 have had their loan payments deferred. Households in arrears have decreased by 1,016 this year. The proportion of the underlying loan value of legal entities in arrears decreased in December. The amount of defaulted loans to legal entities was around ISK 3.0bn with an underlying loan value of ISK 17.3bn. Thus 11.92% of the Fund's loans to legal entities are connected to defaults. Total amount in default is ISK 8.2bn compared to 6.2bn at the end of last year. Defaults or loans with deferred payments are a total of 7.2% of the Fund's loan portfolio. The corresponding percentage in December 2014 was 10.02%.

Defaults are considered to be loans in arrears for longer than 90 days and loans where payments have been deferred.

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

Series	HFF24	HFF34	HFF44
Outstanding amount (NV)	0,3	0,4	1,1

HFF Auctions, Lending and Payments

Actual figures 2015	Forecast 4Q	Actual 4Q	Actual Dec '15
HFF bond issuance (NV)	0	0	0,0
New HFF lending	0	1,1	0,3
HFF total payments	0	13,3	3,4

HFF bond holders	HFF24	HFF34	HFF44
Banks and Savings banks	0,2%	0,2%	0,1%
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	3,6%	3,2%	1,8%
Pension Funds	63,6%	76,9%	88,7%
Insurance Companies	3,2%	1,6%	0,8%
Securities and Investm. Funds	18,6%	13,7%	5,5%
Others	1,9%	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.

December 2015

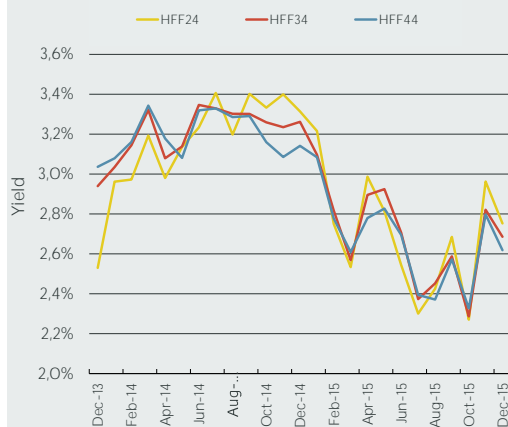
Summary

- New mortgages for privately owned homes amounted to ISK 252 million
- Prepayments amounted to ISK 3.7 billion
- Total amount in default decreased by ISK 2.0 billion in 2015
- Underlying loan amount in default equals 7.2% of loan portfolio
- HFF's appropriated properties numbered 1,348 whereof 611 apartments are rented out

HFF Lending Rate

4.20% fixed rate

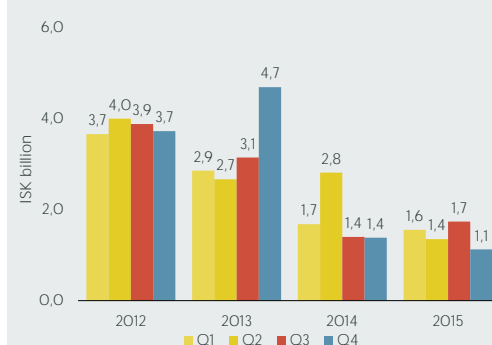
Yield of HFF Bonds



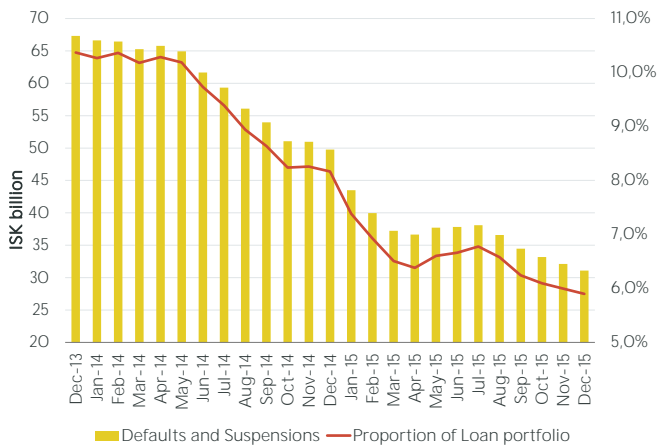
Series	Oct 2015	Nov 2015	Dec 2015	Dur- ation	Face value	Outst.n. value
HFF24	2,27%	2,96%	2,75%	4,0	160,4	82,8
HFF34	2,29%	2,82%	2,69%	8,5	171,7	127,0
HFF44	2,33%	2,80%	2,62%	12,7	269,5	227,5

*Yield on the last trading day of each month
Duration (yrs) and class size (BISK) as of end of December '15
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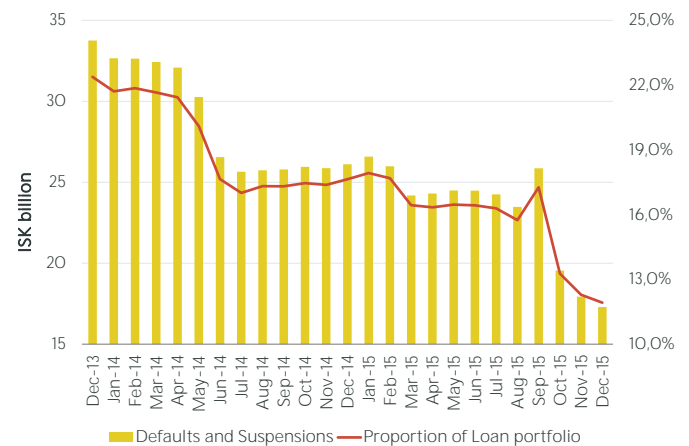
Total Lending by Quarter



Individuals - Defaults and Suspensions



Legal Entities - Defaults and Suspensions



HFF's Appropriated Property

Property portfolio

The HFF owned 1,348 appropriated assets throughout Iceland by the end of December. Over the course of the month, the fund sold 96 properties and 41 appropriated assets were added to the HFF's portfolio. In addition, purchase offers for 111 properties have been accepted and bidders are currently engaged in financing the purchases.

The HFF sold 898 properties this year. A total of 356 appropriated 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 440 assets. Thus a net decrease of 542 assets exceeded expectations.

Undergoing the sales process were 629 properties, most of which are already available for purchase others are going through sales registration. A number of 611 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 December 1,261 properties or 94% of the HFF's portfolio have been rented or are undergoing the sales process or other procedures. A further 87 properties await assessment and will they either be rented out or go into sales process.

HFF's Property According to Regions and Status, 31.12.2015

	For sale	Rented	Empty	In process	Total Dec'15	Total Nov'15
Capital Area	55	150	7	5	217	264
Sth. Peninsula	219	187	20	1	427	447
Western Region	75	51	13	2	141	142
Westfjords	34	13	7	2	56	50
Northw. Region	14	3	1		18	18
Northe. Region	40	34	3	4	81	75
Eastern Region	104	96	31	3	234	229
Southern Region	88	77	5	4	174	178
Total	629	611	87	21	1.348	1.403

Sold properties

