

April 1, 2008

**Research Update:**

# Republic of Iceland, HFF, And Landsvirkjun L-T Ratings Placed On Credit Watch Negative

**Primary Credit Analyst:**

Eileen X Zhang, CFA, London (44) 20-7176-7105; eileen\_zhang@standardandpoors.com

**Secondary Credit Analyst:**

Franklin Gill, London (44) 20-7176-7129; frank\_gill@standardandpoors.com

## Table Of Contents

---

Rationale

Ratings List

## Research Update:

# Republic of Iceland, HFF, And Landsvirkjun L-T Ratings Placed On CreditWatch Negative

## Rationale

On April 1, 2008, Standard & Poor's Ratings Services placed its 'A+' long-term foreign currency and 'AA' long-term local currency sovereign credit ratings on the Republic of Iceland on CreditWatch with negative implications. At the same time, the 'A-1' short-term foreign currency and 'A-1+' short-term local currency ratings on Iceland, along with the 'AA+' transfer and convertibility assessment on the sovereign, were affirmed.

In addition, Standard & Poor's placed its 'A+' long-term foreign currency and 'AA-' long-term local currency issuer credit ratings on Ibudalanasjodur (Housing Financing Fund), the state-owned enterprise for housing finance, and state-owned and guaranteed power company Landsvirkjun on CreditWatch with negative implications. The 'A-1' short-term foreign currency and 'A-1+' short-term local currency ratings on Ibudalanasjodur and Landsvirkjun were affirmed.

The CreditWatch placements reflect our lack of information regarding the Icelandic government's official strategy on how to address the country's increasing economic policy issues. These issues in large part stem from the pressure on Iceland's external funding, which may lead to direct government support of the Iceland's three largest commercial banks--Glitnir Bank (A-/Watch Neg/A-2), Landsbanki Islands (not rated), and Kaupthing Bank (not rated).

Standard & Poor's aims to resolve the CreditWatch listings on the sovereign and the two owned entities in the next two weeks.

## Ratings List

	To	From
Republic of Iceland		
Foreign currency issuer credit rating	A+/Watch Neg/A-1	A+/Negative/A-1
Long-term local currency issuer credit rating	AA/Watch Neg/A-1+	AA/Negative/A-1+
Ibudalanasjodur		
Foreign currency issuer credit rating	A+/Watch Neg/A-1	A+/Negative/A-1
Local currency issuer credit rating	AA-/Watch Neg/A-1+	AA-/Negative/A-1+
Landsvirkjun		
Foreign currency issuer credit rating		

*Research Update: Republic of Iceland, HFF, And Landsvirkjun L-T Ratings Placed On CreditWatch Negative*

A+/Watch Neg/A-1	A+/Negative/A-1
Local currency issuer credit rating	
AA/Watch Neg/A-1+	AA/Negative/A-1+

NB: This list does not include all ratings affected.

**Additional Contact:**

Sovereign Ratings;SovereignLondon@standardandpoors.com

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at [www.ratingsdirect.com](http://www.ratingsdirect.com). It can also be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017. Members of the media may also contact the European Press Office via e-mail on: [media\\_europe@standardandpoors.com](mailto:media_europe@standardandpoors.com).

Copyright © 2008, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P?). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber's or others' use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).