

**Rating Action: [Housing Financing Fund](#)**

**Moody's downgrades HFF (Iceland) to A1 following sovereign downgrade**

**Ratings remain on review for possible downgrade**

London, 08 October 2008 -- Moody's Investors Service has today downgraded the issuer rating and local currency bond ratings of Iceland's Housing Financing Fund ("HFF") to A1 from Aa1. The ratings remain on review for possible further downgrade.

The rating action follows today's downgrade of Iceland's government bond ratings and country ceiling for foreign currency bank deposits to A1 from Aa1. Both the bond ratings and ceiling remain under review for possible downgrade.

"The A1 rating of HFF reflects the application of Moody's rating methodology for government-related issuers (GRIs) and is based on (i) the intrinsic strength of HFF, which is represented by a Baseline Credit Assessment, (ii) the Aaa local currency deposit ceiling of the Republic of Iceland and (iii) a high probability of systemic support for HFF", explains Kimmo Rama, Moody's lead Analyst for HFF.

HFF holds special status as a Treasury Part C institution, which means that HFF is an agency of the Icelandic government. Should HFF's assets not cover its liabilities, a creditor will have a senior claim against the Icelandic government as the owner of HFF. "Although Iceland's local currency deposit ceiling was unaffected by today's sovereign rating action, this proximity to the government is the rationale for Moody's action on HFF's ratings", adds Mr Rama.

Headquartered in Reykjavik, Iceland, HFF is a 100% government-owned Icelandic residential mortgage lender with a mission to support the government's housing policy. It had total assets of ISK663 billion (EUR5 billion) at the end of June 2008.

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